

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services Act 1986 immediately.**

If you have sold or otherwise transferred all of your shares in Bridgend Group PLC, you should send immediately this document together with the accompanying Open Offer Application Form and Form of Proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, these documents should not be distributed, forwarded or transmitted into the United States, Canada, Australia or Japan.

The Directors and the Proposed Directors of Bridgend Group PLC, whose names appear in paragraph 2 of Part VIII of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this document, which comprises an AIM admission document relating to Bridgend Group PLC which has been prepared in accordance with the AIM Rules and the Public Offers of Securities Regulations 1995 (as amended), has been delivered to the Registrar of Companies in England and Wales for registration as required by Regulation 4(2) of those regulations.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("the Securities Act"), or under the securities laws of any state or other jurisdiction of the United States or under the relevant securities laws of Canada or Australia or Japan. Accordingly, New Ordinary Shares may not be offered, sold, renounced, delivered or transferred, directly or indirectly, in or into the United States, Canada, Australia or Japan. The Offer described in this document is not being made directly or indirectly in, and this prospectus is not being, and must not be, mailed or otherwise distributed or sent in or into the United States, Canada, Australia or Japan. All Overseas Shareholders and potential investors and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual obligation to forward this document or the accompanying Open Offer Application Form to a jurisdiction outside the UK should read the paragraphs entitled "Overseas Shareholders and Investors" in Part II of this document.

Application will be made to the London Stock Exchange for all of the Existing Ordinary Shares, the New Ordinary Shares and the Consideration Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent professional adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document. Your attention is drawn to the section entitled "Risk Factors" in Part IV of this document.

## **BRIDGEND GROUP PLC**

*(Registered and incorporated in England No. 27883)*



### **PROPOSED ACQUISITION OF HEMSCOTT.NET PROPOSED PLACING, OPEN OFFER AND RETAIL OFFER PROPOSED CHANGE OF NAME TO HEMSCOTT.NET GROUP PLC ADMISSION TO AIM**

Peel Hunt plc, which is regulated by The Securities and Futures Authority Limited, is acting for Bridgend Group PLC in relation to the matters described in this document and will not be responsible to anyone other than Bridgend Group PLC for providing the protections afforded to customers of Peel Hunt plc nor for providing advice on the contents of this document or any matters referred to herein. In particular, Peel Hunt plc as nominated adviser and nominated broker to the Company owes certain responsibilities to the London Stock Exchange which are not owed to the Company, the Directors, the Proposed Directors or to any other person in respect of their decision to acquire the New Ordinary Shares in reliance on any part of this document. No liability is accepted by Peel Hunt plc for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Company, the Directors and the Proposed Directors are solely responsible.

Application for New Ordinary Shares under the Open Offer may only be made on the accompanying Open Offer Application Form which is personal to the Shareholders named thereon and may not be assigned or transferred except to satisfy bona fide market claims. The Open Offer to Qualifying Shareholders will close at 3.00 p.m. on 8 August 2000. The procedure for application is set out in the letter from Peel Hunt plc in Part II of this document and also in the accompanying Open Offer Application Form.

Application for New Ordinary Shares under the Retail Offer may only be made on the Retail Offer Application Form. The Retail Offer will close at 12 noon on 1 August 2000. The terms and conditions of, and the procedure for application under, the Retail Offer are set out in the letter from Peel Hunt plc in Part II and in Part IX of this document and also on the Retail Offer Application Form.

Notice of an Extraordinary General Meeting of Bridgend Group PLC to be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW at 10.00 a.m. on 10 August 2000 is set out at the end of this document. Shareholders are requested to complete and return the enclosed Form of Proxy, whether or not they intend to be present at the meeting, as soon as possible and, in any event, in order to be valid, so as to be received by the Company's Registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, not later than 10.00am on 8 August 2000 (or 48 hours before any adjournment of that meeting).

## CONTENTS

	<i>Page</i>
<b>Expected timetable of principal events</b>	2
<b>Directors, Secretary and Advisers</b>	3
<b>PART I</b> Letter from the Chairman of Bridgend	4
<b>PART II</b> Letter from Peel Hunt	15
<b>PART III</b> Information on hemscott.NET	23
<b>PART IV</b> Risk factors	29
<b>PART V</b> Accountants' report on Bridgend	30
<b>PART VI</b> Accountants' report on hemscott.NET	51
<b>PART VII</b> Unaudited pro forma statement of net assets of the Enlarged Group	72
<b>PART VIII</b> Additional information	75
<b>PART IX</b> Terms and conditions of application for the Retail Offer	112
<b>PART X</b> Definitions and glossary	120
<b>Notice of Extraordinary General Meeting</b>	125

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2000
Record Date for the Open Offer	close of business on 5 July
Latest time and date for receipt of completed Retail Offer Application Forms and payment in full under the Retail Offer	12 noon on 1 August
Latest time and date for splitting of Open Offer Application Forms to satisfy <i>bona fide</i> market claims only	3.00 p.m. on 3 August
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 8 August
Latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer	3.00 p.m. on 8 August
Extraordinary General Meeting	10.00 a.m. on 10 August
Expected date of Completion	15 August
Cancellation of listing on the Official List and admission to trading of the Existing Ordinary Shares, the New Ordinary Shares and the Consideration Shares on AIM	8.00 a.m. on 15 August
CREST stock accounts credited (as applicable)	by 15 August
Definitive certificates for the New Ordinary Shares despatched	by 15 August

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	<p>Christopher Graham Stainforth (<i>Chairman</i>)  Michael Anthony Bretherton (<i>Finance Director</i>)  Charles David Owen Jillings (<i>Non-Executive Director</i>)  Clive Peter Whiley (<i>Corporate Development Director</i>)</p> <p>all of:  68 Great Eastern Street  London EC2A 3JT</p>
<b>Proposed Board following Completion:</b>	<p>Michael Ian Grade CBE (<i>Non-Executive Chairman</i>)  Rosalyn Susan Wilton (<i>Chief Executive Officer</i>)  Kevin O'Byrne (<i>Chief Financial Officer</i>)  Winston Fletcher (<i>Non-Executive Director</i>)  Charles David Owen Jillings (<i>Non-Executive Director</i>)  Christopher Graham Stainforth (<i>Non-Executive Director</i>)</p>
<b>Company Secretary:</b>	Frederick Cyril Flood
<b>Head Office and Registered Office:</b>	68 Great Eastern Street London EC2A 3JT
<b>Sponsor, Nominated Adviser &amp; Nominated Broker:</b>	Peel Hunt plc 62 Threadneedle Street London EC2R 8HP
<b>Auditors &amp; Reporting Accountants to Bridgend:</b>	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
<b>Auditors &amp; Reporting Accountants to hemscott.NET:</b>	Arthur Andersen 20 Old Bailey London EC4M 7AN
<b>Solicitors to Bridgend:</b>	Nabarro Nathanson Lacon House 84 Theobald's Road London WC1X 8RW
<b>Solicitors to hemscott.NET:</b>	Richards Butler Beaufort House 15 St. Botolph Street London EC3A 7EE
<b>Solicitors to the Nominated Adviser:</b>	Linklaters One Silk Street London EC2Y 8HQ
<b>Registrars and Receiving Agent:</b>	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TH
<b>Principal Bankers:</b>	<p>Lloyds Bank PLC  42 Mark Road  Hemel Hempstead  Hertfordshire HP2 7DW</p> <p>Henry Ansbacher &amp; Co. Limited  One Mitre Square  London EC3A 5AN</p>

## PART I

### LETTER FROM THE CHAIRMAN OF BRIDGEND

*(Registered and incorporated in England No. 27883)*

*Directors:*

Christopher Graham Stainforth (*Chairman*)  
Michael Anthony Bretherton (*Finance Director*)  
Charles David Owen Jillings (*Non-Executive Director*)  
Clive Peter Whiley (*Corporate Development Director*)

*Registered & Head Office:*

68 Great Eastern Street  
London  
EC2A 3JT

12 July 2000

*To Shareholders and to potential investors under the Retail Offer and, for information only, to holders of options under the Share Option Schemes*

Dear Sir or Madam,

**Proposed acquisition of hemscott.NET**  
**Proposed Placing of 800,000,000 New Ordinary Shares with clawback for the Open Offer**  
**And the Retail Offer, all at 2.25p per share**  
**Proposed change of name and**  
**Admission to AIM**

#### **Introduction**

Following the announcement made on 17 May 2000 and the suspension of dealings in the Existing Ordinary Shares and the announcement on 15 June 2000 confirming that Bridgend and hemscott.NET were in talks, it was announced today that Bridgend had conditionally agreed to acquire the entire issued share capital of hemscott.NET for a consideration to be satisfied by the allotment and issue of 666,666,667 Consideration Shares to the hemscott.NET Shareholders (representing 41.5 per cent. of the enlarged issued share capital of the Company immediately following Admission) and valuing hemscott.NET at the Issue Price of 2.25p per share at approximately £15.0 million. The expenses directly attributable to the Acquisition are £0.5 million.

In order to provide additional working capital for the further development of the Enlarged Group, the Company also announced today that it proposes to raise approximately £16.2 million (net of expenses) through the issue of 800,000,000 New Ordinary Shares by way of the Placing, the Open Offer and the Retail Offer. Under the Open Offer, 140,154,322 New Ordinary Shares are being made available to Qualifying Shareholders at the Issue Price of 2.25p per share, on the basis of 1 New Ordinary Share for every 1 Existing Ordinary Share, and so in proportion for any other number of Existing Ordinary Shares held on the Record Date. Under the Retail Offer, 126,512,345 New Ordinary Shares are being made available at the Issue Price to individuals aged 18 or over with a mailing address in the United Kingdom who have registered for the Retail Offer.

Peel Hunt has, pursuant to the Placing Agreement, agreed that it will, as the Company's agent, use its reasonable endeavours to procure subscribers for all of the New Ordinary Shares to be issued under the Offer, subject to clawback of the 266,666,667 New Ordinary Shares which have been placed with CRBF, to satisfy valid applications under the Open Offer and the Retail Offer. Further details relating to the Placing, the Open Offer and the Retail Offer are summarised below and are set out in the letter from Peel Hunt in Part II of this document.

It was also announced today that the Directors have decided that the Company should, conditional upon Completion, request the UK Listing Authority to cancel its listing on the Official List and apply to the London Stock Exchange for admission to trading on AIM. As a result of the proposed transfer to AIM, the listing of the Existing Ordinary Shares will remain suspended pending Completion, which is expected to be on 15 August 2000.

In view of its size, the Acquisition is conditional, *inter alia*, on the approval of Shareholders, which is to be sought at an Extraordinary General Meeting being convened for 10 August 2000 at which resolutions will be put, *inter alia*, to approve the Acquisition. The purpose of this document is to provide you with further information on hemscott.NET and the Proposals and to explain why your Board believes that the Proposals are in the best interests of Bridgend and its Shareholders as a whole. A notice convening an Extraordinary General Meeting of Bridgend is set out at the end of this document.

### **Background to and reasons for the Acquisition**

Since I was appointed Chairman in January 1999, it has been the stated strategy of the Board to optimise the Group's structure in order both to strengthen the Group's finances and to concentrate on seeking and reviewing the alternative opportunities available to enhance shareholder value.

On 24 June 1999, a circular was sent to Shareholders with details of the proposed disposal of the business and certain assets of Stocks Hotel & Country Club Limited. In August 1999, Bridgend successfully completed the disposal and raised approximately £2.0 million (before expenses) by way of a placing and open offer. In March 2000, Bridgend then disposed of the business and certain assets and liabilities of John Sydney Limited. Details of this disposal were set out in a circular to Shareholders dated 23 February 2000. The Group's remaining principal trading businesses are Kingavon Limited and Brimley & Co. Limited.

The Board has considered several opportunities that may enhance shareholder value but the Board considers that the hemscott.NET business and business model represents a strong case for the delivery of long term enhancement in shareholder value. In the event that the Acquisition does not proceed to Completion, the remaining Proposals will not be implemented, Bridgend's listing will be restored and the Board will continue to investigate other possibilities to enhance shareholder value.

### **Information on Bridgend**

Bridgend is a holding company for the Group, which currently has operations in wholesale distribution following the discontinuance of its leisure interests during 1999.

The wholesale distribution operations consist of Kingavon Limited, which is engaged in the wholesale distribution of after-market car accessories, and Brimley & Co. Limited, which is engaged in the wholesale distribution of electrical products. In addition, on 15 March 2000, the Company completed the disposal of the business and assets of John Sydney Limited, a business engaged in the distribution, packaging and assembly of bathroom and kitchen fittings, for a cash consideration equal to the value of the net assets being sold at that date together with a premium of £291,000.

On Completion, I will step down as Chairman but will remain as a non-executive director of the Company along with Charles Jillings. It is intended that on Completion Michael Bretherton and Clive Whiley will step down from the Board. Following Completion, Bridgend intends to seek suitable purchasers for Kingavon Limited and Brimley & Co. Limited. It is intended that the employment rights of the employees of Kingavon Limited and Brimley & Co. Limited will be safeguarded.

### **Principal terms of the Acquisition**

Under the terms of the Acquisition Agreement, Bridgend has agreed to acquire the whole of the issued share capital of hemscott.NET for an agreed consideration to be satisfied by the issue of 666,666,667 Consideration Shares, which at the Issue Price equates to approximately £15.0 million.

The Acquisition Agreement is conditional, *inter alia*, on the Placing Agreement becoming unconditional in all respects, save as to Admission. It is expected that completion of the Acquisition will take place on 15 August 2000. It is also a term of the Acquisition Agreement that Bridgend grants to the directors and employees of hemscott.NET options over shares in Bridgend details of which are set out in paragraph 4.8 of Part VIII of this document. The options granted by hemscott.NET to Mr Grade and Mrs Wilton, two of the Proposed Directors, were granted under separate agreements between hemscott.NET and each of them respectively. Bridgend has accordingly, conditional on Completion, entered into new option agreements with Mr Grade and Mrs Wilton, and, in addition, an option agreement with Mr Fletcher, details of which are set out in paragraphs 5.3(a), (b) and (d) of Part VIII of this document. The agreement by Bridgend to enter into these new option agreements will be subject to approval at the Extraordinary General Meeting.

Further details of the Acquisition Agreement are contained in paragraph 8.1.6 of Part VIII of this document.

### **Lock-in arrangements**

All the hemscott.NET Shareholders have undertaken not to dispose of any interests in Ordinary Shares for a period of one year, subject to certain exceptions, from the date of Admission. This lock-in may be released at any time at the sole discretion of Peel Hunt. All hemscott.NET Shareholders have also undertaken not to, in respect of their shareholdings in the Company, make any disposals unless such disposals are effected in accordance with the reasonable requirements of Peel Hunt, for a period of one year thereafter.

Furthermore, the New Board have given undertakings that they will not dispose of any shares for a period of one year from the date of Admission in accordance with the AIM Rules. Following this initial period of one year from the date of Admission, the members of the New Board have also given undertakings not to, in respect of their shareholdings in the Company, make any disposals unless such disposals are effected in accordance with the reasonable requirements of Peel Hunt, for a period of one year thereafter, as well as to comply with the Model Code for AIM Companies for so long as they remain directors or employees of the Enlarged Group.

### **Information relating to hemscott.NET**

hemscott.NET currently derives over 50 per cent. of its business from the provision of business-to-business services. This comprises principally the provision of data in both raw and packaged formats and on-line investor relations services. hemscott.NET is also a leading UK internet provider of extensive and dynamically updated business and investment information. hemscott.NET has diversified on-line revenue streams and provides content, connectivity and emerging e-commerce services to its user communities. The New Board intends to continue to increase and develop revenues from sales of raw data and data sets, on-line investor relations packages and services, advertisers and sponsors and site user subscriptions. The foundation of hemscott.NET's business is its content-rich database of financial and corporate information, which it seeks to leverage by providing value-added services and by exploiting emerging media platforms. In addition to the content sourced from hemscott.NET's extensive proprietary database and the hemscott.NET in-house editorial team, hemscott.NET's services also use contributions from third party information providers and from hemscott.NET's registered bulletin board users in the form of messages posted on hemscott.NET's bulletin board.

Currently, hemscott.NET's principal medium is its web site, which is one of the leading independent business and investment information sites in the UK. The hemscott.NET Site is highly active and received 7.8 million page impressions in September 1999, 13.6 million page impressions in December 1999 and over 20 million page impressions in March 2000. This fell to 12.6 million page impressions in April 2000 and 12.0 million in each of May 2000 and June 2000. Unique users increased from 311,000 in September 1999 to 540,000 in December 1999 and to 884,000 in March 2000. The number of unique users fell in April 2000 to 665,000, to 600,000 in May 2000 and 567,000 in June 2000. hemscott.NET's management

believes that the principal factor behind this decline in April and May 2000 was a downturn at that time in the equities markets, leading to a decrease in share trading volumes. The majority of the hemscott.NET Site's activity is during business hours and the incidence of the Easter week-end and bank-holiday week-ends in April and May 2000 resulted in three consecutive four-day weeks and a prolonged holiday period. In addition two technology issues in April 2000, both now resolved, hampered access to the hemscott.NET Site. The hemscott.NET Site user data for April, May and June 2000 is not audited.

hemscott.NET's proprietary database has been developed over 15 years. In the main, the data contained in the database is drawn from annual reports and accounts, press releases, brokers' reports and other corporate information, including details of directors, directors' dealings and advisers and their contact details. This information is then enhanced through analysis and collation and augmented by relevant additional information including share price and trade information and RNS and AFX news stories.

The New Board's objectives will be to continue to enhance the content on the hemscott.NET Site and to create value-added services by:

- supplying branded business information to customers;
- continuing to improve on-line investor relations service offerings;
- increasing access to hemscott.NET's content-rich database of financial and corporate information;
- adding informed comment and opinion;
- adding analysis, functionality and products; and
- introducing new features, such as enhanced portfolio management tools.

The New Board also intends to increase hemscott.NET's revenues by identifying and segmenting the business-to-business communities that use the hemscott.NET Site with a view to providing value-added services to meet the needs of members of those communities in both their professional and private lives. Presently, hemscott.NET's principal affiliated community internet portal is Hemscott Invest, which is cross-linked with other related business information services available on the hemscott.NET Site.

In addition, the New Board will seek to exploit new technological opportunities, including the provision of information over new media platforms, such as third-generation mobile phones and WAP applications. The activities of hemscott.NET are well-suited to real-time roaming applications such as WAP as this allows information to be delivered to virtually any location. Prices, alerts and dealing facilities are all ideal applications for WAP and mobile platforms. Such developments are likely to involve hemscott.NET entering into strategic relationships. hemscott.NET already has a strategic relationship (by way of a non-exclusive licensing agreement and a UK exclusive marketing agreement for a limited period) with W-Trade Technologies of the US to deliver information and facilitate transactions on handheld wireless devices, including WAP-enabled mobile phones.

Further information on hemscott.NET and its financial position is set out in Parts III and VI of this document.

### **Related party**

CRBF is a private investment fund company registered in Labuan, Malaysia and is a major shareholder in hemscott.NET with 59.4 per cent. of the shares in hemscott.NET. Kanawa is a private investment holding company registered in the Isle of Man and is a major shareholder in Bridgend with 37.2 per cent. of the Existing Ordinary Shares. CRBF and Kanawa are both controlled by the trustees of a family trust of which the Saville family are the beneficiaries. Following Completion, the maximum interests of CRBF and Kanawa (assuming that CRBF subscribed, without clawback, for 266,666,667 Placing Shares pursuant to the Placing as detailed below) in Bridgend will be 41.2 per cent. and 3.2 per cent. respectively. The Saville family trust will as a result be deemed to control 44.5 per cent. of Bridgend.

As Charles Jillings is a director of Bridgend and a shareholder in and a director of hemscott.NET, the Acquisition will constitute a related party transaction for the purposes of the Listing Rules requiring the approval of Shareholders. As Kanawa and CRBF are connected, Kanawa will be abstaining from voting on Resolution 1 to be proposed at the EGM. Additionally, Mr Jillings is deemed not to be independent as a Director of Bridgend for the purposes of recommending a course of action to Independent Shareholders in relation to Resolution 1 to be proposed at the EGM.

### **Board Changes**

Immediately following Completion, I will step down as Chairman but will remain as a non-executive Director of the Company. Charles Jillings will also remain as a non-executive Director and Michael Bretherton and Clive Whiley will step down from the Board. Conditional upon Completion, Michael Grade will join the Board as non-executive Chairman, Rosalyn Wilton as Chief Executive Officer, Kevin O'Byrne as Chief Financial Officer and Winston Fletcher as a non-executive Director. Following these changes, the Board will consist of:

**Michael Grade CBE**, aged 57, as Non-Executive Chairman. Mr Grade, who joined hemscott.NET as its Chairman on 27 March 2000, spent his early career with London Weekend Television, Embassy Television in the United States and the BBC, before serving as Chief Executive of Channel Four Television Company Limited from 1988 to 1997. As Chief Executive of First Leisure Corporation plc, he oversaw that company's restructuring in 1999. Mr Grade is also Chairman of Octopus Publishing Group Limited and Pinewood Studios Holdings Limited and is a director of Camelot Group plc and The New Millennium Experience Company Limited.

**Rosalyn Wilton**, aged 48, as Chief Executive Officer. Mrs Wilton, who joined hemscott.NET as its Chief Executive Officer on 1 November 1999, derived extensive experience in financial markets as a senior manager with Drexel Burnham Lambert and GNI, before joining Reuters in June 1990. By the end of 1998, Mrs Wilton, as Managing Director of Reuters Transaction Services Limited, managed a combined annual revenue of £500 million and, as a member of Reuters' Executive Committee, was one of the company's top 15 executives worldwide. She was proposed by Reuters, and shortlisted, for "Business Woman of the Year" in 1996. From October 1997 until February 2000, Mrs Wilton served as a non-executive director of Scottish Widows' Fund and Life Assurance Society.

**Kevin O'Byrne**, aged 35, as Chief Financial Officer. Mr O'Byrne, who joined hemscott.NET as its Chief Financial Officer on 21 March 2000, worked for Arthur Andersen between 1987 and 1995, becoming a manager in that firm's Corporate Financial Services Division, specialising in corporate turnaround and corporate finance. In June 1995, Mr O'Byrne became European Finance Director of Quaker Trading Limited, the principal European operating company of The Quaker Oats Company, with responsibility for all finance, information technology and legal matters.

**Winston Fletcher**, aged 62, as Non-Executive Director. Mr Fletcher, who joined hemscott.NET as a non-executive director on 1 June 2000, is currently chairman, or on the board of, several companies and bodies. He has extensive experience in marketing, market research and advertising. Mr Fletcher founded Fletcher Shelton Delaney Limited, a marketing and advertising consultancy, in 1974, building the business to billings of £15 million per annum before selling it to Ted Bates Inc. in 1980. He was then chairman and chief executive of the UK group of Ted Bates Inc. from 1983 to 1985. In 1985, Mr Fletcher founded a further marketing and advertising consultancy, Delaney Fletcher Delaney Limited, and this business was sold to Bozell Jacobs Kenyon & Eckhart Inc. in 1989. Mr Fletcher was chairman of BJK&E Holdings Limited from 1997 until January 2000 of this year.

**Charles Jillings**, aged 44, as Non-Executive Director. Mr Jillings, who joined the Company as a non-executive director on 28 July 1999 and joined hemscott.NET as a non-executive director shortly after its incorporation on 21 March 2000, has extensive experience in the UK corporate market. During 1994 and 1995, he was a director of Hill Samuel Bank Limited in corporate finance where he was involved in a number of reconstructions and refinancings. Through The Analysis and Research Company Limited, he advises Kanawa (a major shareholder in the Company) and CRBF (the principal shareholder in hemscott.NET). In this capacity, he sits on the board of a number of smaller UK companies, including several publishing and technology companies.



**Christopher Stainforth**, aged 47, as Non-Executive Director. Mr Stainforth, who became non-executive chairman of the Company on 22 January 1999, is a director of Ermgassen & Co Limited, a specialist mergers and acquisitions business, and a non-executive director of web-angel plc, an e-business accelerator. Mr Stainforth spent 8 years with KPMG before moving into corporate finance when he joined Schroders in 1980. He has worked with Phillips & Drew (latterly UBS Phillips & Drew) and Guinness Mahon Henderson Crosthwaite, from where he joined Ermgassen & Co in May 1999. He has over 20 years of experience of advising businesses ranging from FTSE 100 companies to early stage companies on all aspects of corporate finance and fundraising.

## **Details of the Placing, the Open Offer and the Retail Offer**

### *The Placing*

The Company proposes to raise approximately £16.2 million (net of expenses) by way of the issue of 800,000,000 New Ordinary Shares at 2.25p per share pursuant to the Placing, the Open Offer and the Retail Offer. The proceeds of this fundraising will be used to provide working capital for the Enlarged Group including for the purposes of financing the relocation of the hemscott.NET business over the next few months and to meet information technology development, marketing and other costs which are not covered by operating cash flow. Peel Hunt has, pursuant to the Placing Agreement, agreed that it will, as the Company's agent, use its reasonable endeavours to procure subscribers for all of the New Ordinary Shares issued pursuant to the Offer, subject to clawback of the 266,666,667 New Ordinary Shares which have been placed with CRBF to satisfy valid applications under the Open Offer and the Retail Offer.

The Placing is conditional upon the Placing Agreement becoming unconditional in accordance with its terms, details of which are set out in paragraph 8.1.5 of Part VIII of this document. Pursuant to the Placing, CRBF has agreed to subscribe for 266,666,667 Placing Shares, subject to clawback, to satisfy valid applications under the Retail Offer and the Open Offer.

The New Ordinary Shares (and the Consideration Shares) will rank *pari passu* in all respects with the Existing Ordinary Shares.

### *The Open Offer*

The Directors have arranged for Peel Hunt, as agent for the Company, to make the Open Offer under which Qualifying Shareholders will be invited to subscribe for 140,154,322 Open Offer Shares on the following basis:

#### **1 Open Offer Share for every 1 Existing Ordinary Share**

held at the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held.

A Qualifying Shareholder may apply for any number of Open Offer Shares up to his or her maximum guaranteed entitlement. In addition, Qualifying Shareholders may apply for an additional whole number of Open Offer Shares at the Issue Price. Valid elections for Additional Open Offer Shares made by Qualifying Shareholders in excess of their maximum entitlement will only be satisfied to the extent that other Qualifying Shareholders do not apply for Open Offer Shares (or do not apply for their maximum entitlement) under the Open Offer, thereby releasing Open Offer Shares, and to the extent that the New Ordinary Shares to be made available under the Retail Offer (see below) are not subscribed, thus releasing New Ordinary Shares, both of which will be applied in satisfying applications for Additional Open Offer Shares. To the extent that those New Ordinary Shares are not required for this purpose they will be placed under the terms of the Placing. To the extent that applications for Additional Open Offer Shares exceed the number of shares available, as described above, to satisfy any such applications, Peel Hunt, in consultation with Bridgend, will determine the basis of allocation of Additional Open Offer Shares to Qualifying Shareholders through a ballot by drawing applications for Additional Open Offer Shares randomly until the full value of the Additional Open Offer Shares available for allocation is satisfied.

The Open Offer Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Any rights to subscribe for Open Offer Shares under the Open Offer which are not exercised will lapse and the Open Offer Shares will be subscribed in the following order: (i) by Qualifying Shareholders who have applied for Additional Open Offer Shares under the Open Offer; (ii) then in satisfying applications in the Retail Offer; and (iii) to the extent that any Open Offer Shares remain unsubscribed, placed under the terms of the Placing. Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Open Offer Shares will not be sold in the market for the benefit of those who do not apply under the Open Offer.

Application for Open Offer Shares under the Open Offer does not prevent a Qualifying Shareholder from applying for New Ordinary Shares under the Retail Offer.

#### *The Retail Offer*

Pursuant to the Retail Offer element of the Offer, the Company also proposes to offer for subscription 126,512,345 New Ordinary Shares at the Issue Price. Individuals aged 18 or over with a mailing address in the United Kingdom who have registered for the Retail Offer will have the opportunity to subscribe at the Issue Price for New Ordinary Shares offered by Bridgend under the Retail Offer.

hemscott.NET Employees may apply for New Ordinary Shares and will be given preference when allocations of New Ordinary Shares are made under the Retail Offer (but will not receive any preference in terms of price). Otherwise, applications made by hemscott.NET Employees will be subject to the same terms and conditions of the Retail Offer as ordinary applicants, as set out in Part II and Part IX of this document.

Investors wishing to take part in the Retail Offer must apply for either £900, £1,485, £3,015 or £4,995 worth of New Ordinary Shares. Applications can only be made at one of these four levels. If demand for New Ordinary Shares exceeds the number of New Ordinary Shares available in the Retail Offer (including any Open Offer Shares not taken up under the Open Offer which are applied to satisfy applications under the Retail Offer), Peel Hunt, in consultation with Bridgend, will allocate New Ordinary Shares through a ballot of the investors applying for New Ordinary Shares, such ballot to be conducted by drawing applications randomly until the full value of the Retail Offer is satisfied. Accordingly, prospective investors under the Retail Offer may not receive the New Ordinary Shares they apply for if they are unsuccessful in a ballot. Individual applications, if satisfied, will only be allocated in full and there will be no scaling back of allocations.

To the extent that any New Ordinary Shares subject to the Retail Offer are not subscribed for, they will be subscribed in the following order: (i) by Qualifying Shareholders who have applied for Additional Open Offer Shares under the Open Offer; and (ii) to the extent not required for that purpose, placed under the terms of the Placing.

**Full details of the terms and conditions that will apply to the Retail Offer are set out in Part IX of this document.**

#### *Conditions of the Offer*

The Offer is subject, *inter alia*, to satisfaction of the following conditions on or before 15 August 2000 (or such later date as Peel Hunt and the Company agree, but in any event not later than 15 September 2000):

- (i) the resolutions set out in the notice of the Extraordinary General Meeting being passed;
- (ii) completion of the Acquisition Agreement in escrow;
- (iii) Admission becoming effective; and
- (iv) the Placing Agreement having become unconditional in all respects and not having been terminated or rescinded in accordance with its terms before Admission.

If the Offer does not become unconditional, no New Ordinary Shares will be issued or sold and all monies received by the Registrars will be returned to applicants without interest as soon as practicable thereafter.

### **Current trading and prospects**

The audited accounts for Bridgend for the year ended 31 December 1999 were published on 27 April 2000. There has been no significant change in the financial position of Bridgend since that date.

Although hemscott.NET's database has been developed over 15 years and the business currently carried on by hemscott.NET has involved making data available on the internet since 1995, the hemscott.NET Site was only launched in July 1999. In addition, the business currently carried on was separated from Hemmington Scott Limited in January 2000 when the hemscott.NET Group was established. As a result, hemscott.NET has only a limited operating history on which it can be evaluated and is still in the early stages of development.

Since 31 March 2000, hemscott.NET has been trading in line with expectations and it has put in place a short term loan facility with CRBF. This loan facility is summarised in paragraph 8.3.5 of part VIII of this document.

The Board believes that the management team of hemscott.NET is of high quality with a wide range of skills and that the Acquisition will enhance the prospects of the Enlarged Group.

Statements relating to the prospects of the Enlarged Group should be viewed in light of Year 2000 compliance issues and the Risk Factors which are set out in paragraph 12 of Part VIII and Part IV of this document respectively.

### **Cancellation of listing and transfer to AIM**

In order to take advantage of the more flexible rules applicable to a quotation on AIM, the Company will, conditional upon Completion, request the UK Listing Authority to cancel its listing on the Official List and apply to the London Stock Exchange for admission to trading on AIM. Except as noted in paragraph 13 of Part VIII of this document entitled "United Kingdom Taxation", the Directors and Proposed Directors are satisfied that the transfer to AIM will not adversely affect the position of existing Shareholders or their ability to buy or sell shares in the Company. The Directors and Proposed Directors note that the taxation treatment of capital gains on shareholdings in AIM traded companies may be more favourable than on shareholdings in companies on the Official List.

The cancellation of the Company's listing on the Official List and the transfer to AIM, which are conditional upon Completion, are expected to become effective on the second business day following the Extraordinary General Meeting. In the event that the resolution to approve the Acquisition is not approved by Shareholders at the Extraordinary General Meeting, the Company's application for admission to AIM will lapse and it is expected that its listing on the Official List will be restored.

### **Change of name**

In order to reflect the change of business activity, a resolution will be proposed at the EGM to change the Company's name, conditional upon Completion, to hemscott.NET Group plc.

### **Dividend Policy**

Bridgend currently has no distributable reserves and is accordingly unable to pay a dividend. In addition, the New Board believes that for the foreseeable future any cash resources generated by hemscott.NET's operations should be devoted to funding the Enlarged Group's expansion. Accordingly, the New Board do not anticipate that Bridgend will declare a dividend in the early years of hemscott.NET's development. The New Board will continue to review the relevance of its dividend policy as the Enlarged Group develops.

## **The City Code on Takeovers and Mergers**

Under Rule 9 of the City Code, when a person or group of persons acting in concert acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code, that person or persons acting in concert is or are normally required to make a general offer in cash, at the highest price paid by him or any persons acting in concert with him, for shares in the relevant company within the preceding 12 months, for all the remaining equity share capital of that company.

The hemscott.NET Shareholders will as Shareholders be treated for the purposes of the City Code as acting in concert in relation to Bridgend, and the issue of the New Ordinary Shares and the Consideration Shares will result in the hemscott.NET Shareholders and the CRBF Concert Party holding 58.1 and 44.6 per cent. of the enlarged issued share capital of the Company, respectively, in each case, based on the assumption that CRBF is required to take up all of the 266,666,667 New Ordinary Shares placed with it under the Placing. However, the Takeover Panel has agreed, subject to the approval by Independent Shareholders on a poll of a resolution to be proposed at the EGM, to waive the requirement which would otherwise arise under Rule 9 of the City Code for a general offer to be made by the hemscott.NET Shareholders or the CRBF Concert Party for the whole of the equity share capital of Bridgend which would not on Completion respectively already be owned by them. Implementation of the Proposals are conditional, *inter alia*, on the passing of this resolution by a simple majority of Independent Shareholders on a poll. The waiver which the Takeover Panel has agreed to provide will be invalidated if any purchases of Existing Ordinary Shares are made by any of the hemscott.NET Shareholders or any member of the CRBF Concert Party or any person acting in concert with any of them in the period between the date of this document and the EGM. Each hemscott.NET Shareholder and each member of the CRBF Concert Party has undertaken to the Company that they will not make any such purchases of Existing Ordinary Shares.

Rule 9 also provides, *inter alia*, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of the voting rights in a company to which the City Code applies, and such person, and/or any person acting in concert with him, acquires additional shares carrying voting rights of such company, that person would normally be required to make a general offer to the other shareholders of that company. Accordingly, for as long as the CRBF Concert Party are deemed to be acting in concert, its members would not be able to acquire any further Ordinary Shares without incurring such an obligation.

As the hemscott.NET Shareholders will, following Completion, own more than 50 per cent. of the issued ordinary share capital of the Company (assuming that CRBF takes up all of the 266,666,667 New Ordinary Shares placed with it), they will be able to increase their aggregate shareholding without incurring any further obligation under Rule 9 of the City Code to make a general offer for the outstanding equity share capital of the Company so long as their overall combined shareholding remains greater than 50 per cent. However, each of the hemscott.NET Shareholders will incur an obligation under Rule 9 should any of them acquire shares which would have the effect of increasing their individual holding to 30 per cent. or more of the issued share capital of the Company at that time, as will be the case for CRBF if it is required to take up all 266,666,667 New Ordinary Shares placed with it. Depending on the number of New Ordinary Shares required to be taken up by CRBF under the Placing, the hemscott.NET Shareholders, so long as they are deemed to be acting in concert, may hold shares carrying not less than 30 per cent. but not more than 50 per cent. of the voting rights in Bridgend, in which case the immediately preceding paragraph would apply to the hemscott.NET Shareholders.

## **Extraordinary General Meeting**

You will find set out at the end of this document a notice convening an extraordinary general meeting of the Company to be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW at 10.00 a.m. on 10 August 2000, at which resolutions will be proposed:

- (1) to approve the Acquisition and the waiver by the Takeover Panel of the requirement for either the hemscott.NET Shareholders or the CRBF Concert Party to make a general offer under Rule 9 of the City Code;

- (2) to approve certain amendments to the Bridgend Group PLC 1999 Share Option Scheme relating to the eligibility of individuals to participate in the scheme, the limits on the number of shares which may be put under option pursuant to the scheme, the limits on the value of shares over which options may be granted to a participant under the scheme, the timing of the exercise of options granted under the Scheme and the operation of the scheme in conjunction with an employee trust. The proposed amendments are set out in detail in paragraph 10.3 of Part VIII of this document;
- (3) subject to passing of the resolution referred to in paragraph 1 above, to increase the authorised share capital of the Company from £5,571,500 to £28,870,205, to grant the Directors authority, pursuant to section 80 of the Act, to allot relevant securities up to a nominal amount of £23,864,662 and to disapply the statutory pre-emption rights set out in section 89 of the Act, *inter alia*, to enable the Placing, the Open Offer and the Retail Offer to proceed and to allow for the grant of the Proposed Director Options; and
- (4) subject to passing of the resolution referred to in paragraph 1 above, to approve the change of name, conditional upon Completion, of the Company to hemscott.NET Group plc.

As Charles Jillings is a director of Bridgend and a shareholder in and a director of hemscott.NET, the Acquisition will constitute a related party transaction for the purposes of the Listing Rules. As Kanawa (a major shareholder in the Company) and CRBF (a major shareholder in hemscott.NET) are connected, Kanawa will be abstaining from voting on Resolution 1 to be proposed at the EGM.

#### **Action to be taken**

##### *Open Offer*

If Qualifying Shareholders wish to take up their entitlement in respect of the Open Offer in whole or in part and to apply for Additional Open Offer Shares, the enclosed Open Offer Application Form (which cannot be used for Retail Offer purposes), together with their remittance for the full amount of the subscription monies for the New Ordinary Shares being taken up or applied for, should be lodged in accordance with the instructions printed thereon and in Part II of this document, by post or by hand, with Capita IRG Plc so as to arrive in either case by no later than 3.00 p.m. on 8 August 2000, being the latest time for acceptance and payment in full.

##### *Retail Offer*

If potential investors wish to apply for New Ordinary Shares under the Retail Offer, the Retail Offer Application Form, together with their remittance for the full amount of the subscription monies for New Ordinary Shares being subscribed for, should be lodged in accordance with the instructions printed thereon and in Parts II and IX of this document, by post or by hand, with Capita IRG Plc so as to arrive in either case by no later than 12.00 noon on 1 August 2000, being the latest time for application and payment in full. Copies of the Retail Offer Application Form can be obtained by following the instructions on the Issues Direct/Bridgend Site at [www.issuesdirect/bridgend](http://www.issuesdirect/bridgend).

##### *Extraordinary General Meeting*

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. **Whether or not you intend to be present at the meeting, you are requested to complete, sign and return your Form of Proxy to the Company's Registrars, Capita IRG Plc, as soon as possible but, in any event, so as to arrive no later than 10.00 a.m. on 8 August 2000.** The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

#### **Additional information**

Your attention is drawn to the additional information set out in Parts II to X of this document. Shareholders are advised to read the whole of the document and not rely on the summary information presented in this letter.

## **Recommendation**

The Independent Directors, who have been so advised by Peel Hunt, believe the terms of the Acquisition are fair and reasonable so far as the Shareholders are concerned and are in the best interests of Shareholders as a whole. In providing its advice, Peel Hunt has taken into consideration the Directors' commercial assessment of the Acquisition and the terms of the Acquisition Agreement. Kanawa has undertaken to abstain, and has taken all reasonable steps to ensure that its associates will abstain, from voting on Resolution 1 to be proposed at the EGM. Additionally, Mr Jillings is deemed not to be independent as a director of Bridgend in connection with Resolution 1 to be proposed at the EGM. Mr Jillings and his associates are not, therefore, recommending a course of action to Shareholders in connection with Resolution 1. Accordingly, your Independent Directors unanimously recommend Shareholders to vote in favour of Resolution 1 to be proposed at the Extraordinary General Meeting.

The Independent Directors, who have been so advised by Peel Hunt, believe the waiver of the requirements of the City Code in respect of the hemscott.NET Shareholders and the CRBF Concert Party is in the best interests of Shareholders as a whole.

The Directors, who have been so advised by Peel Hunt, believe the terms of the Placing, the Open Offer and the Retail Offer, the change of name of the Company, the proposed amendments to the rules of one of the Company's existing share option schemes and the grant of the Proposed Director Options are in the best interests of Shareholders as a whole. Accordingly, your Directors unanimously recommend Shareholders to vote in favour of Resolutions 2, 3 and 4 to be proposed at the Extraordinary General Meeting. The Directors have irrevocably undertaken to subscribe £72,916.88 for 3,240,750 Open Offer Shares through their entitlements under the Open Offer.

The Independent Directors have irrevocably undertaken to vote their beneficial shareholdings amounting to 3,240,750 Existing Ordinary Shares (representing 2.3 per cent. of the Existing Ordinary Shares) in favour of the Resolutions. In addition, Kanawa has irrevocably undertaken to vote its beneficial shareholding amounting to 52,090,532 Existing Ordinary Shares (representing 37.2 per cent. of the Existing Ordinary Shares) in favour of Resolutions 2, 3 and 4.

Yours faithfully

**Christopher Stainforth**  
*Chairman*

## **PART II**

### **LETTER FROM PEEL HUNT**



62 Threadneedle Street, London EC2R 8HP

12 July 2000

*To Qualifying Shareholders and to potential investors under the Retail Offer and, for information only, to the holders of options under the Share Option Schemes*

Dear Sir or Madam

#### **Offer of 800,000,000 New Ordinary Shares at 2.25p per share**

##### **1. Introduction**

As the letter from your Chairman set out in Part I explains, the Company proposes to raise, conditional upon certain events specified below, £18.0 million (£16.2 million net of expenses) by way of a Placing, an Open Offer to Qualifying Shareholders and a Retail Offer to fund the development and expansion of the Enlarged Group. Further details of the Retail Offer are set out in Part IX of this document.

Peel Hunt has, pursuant to the Placing Agreement, agreed that it will, as the Company's agent, use its reasonable endeavours to procure subscribers for the New Ordinary Shares. Accordingly, all of the New Ordinary Shares have been conditionally placed with institutional and other investors, subject as appropriate to clawback of the 266,666,667 New Ordinary Shares which have been placed with CRBF to satisfy valid applications under the Open Offer and the Retail Offer.

Under the Open Offer, 140,154,322 New Ordinary Shares are being offered to Qualifying Shareholders at the Issue Price (the "Open Offer Shares"). Under the Retail Offer, 126,512,345 New Ordinary Shares are being made available at the Issue Price to individuals aged 18 or over with a mailing address in the United Kingdom who have registered for the Retail Offer. To the extent that New Ordinary Shares initially made available under the Open Offer or the Retail Offer (as the case may be) are not taken up, they shall be made available to satisfy additional demand under the other of those elements of the Offer.

##### **2. Conditions of the Offer**

The Offer is subject, *inter alia*, to the satisfaction of the following conditions on or before 15 August 2000 (or such later date as Peel Hunt and the Company agree, but in any event not later than 15 September 2000):

- (i) the Resolutions set out in the notice of the Extraordinary General Meeting being passed;
- (ii) completion of the Acquisition Agreement in escrow;
- (iii) Admission becoming effective; and

- (iv) the Placing Agreement having become unconditional in all respects and not having been terminated or rescinded in accordance with its terms before Admission.

If the Offer does not become unconditional, no New Ordinary Shares will be issued and all monies received by the Registrars will be returned to applicants without interest as soon as practicable thereafter.

### 3. The Placing

Pursuant to the Placing Agreement, Peel Hunt has agreed, as the Company's agent, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares the subject of the Placing. It is proposed that the New Ordinary Shares the subject of the Placing will be placed by Peel Hunt, acting as the Company's agent, with institutional and other investors subject to clawback of the 266,666,667 New Ordinary Shares which have been placed with CRBF to satisfy valid applications under the Open Offer and the Retail Offer. The Placing is conditional upon the Placing Agreement becoming unconditional in accordance with its terms, details of which are set out in paragraph 8.1.5 of Part VIII of this document.

### 4. The Open Offer

Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the Open Offer Application Form, to apply for Open Offer Shares at the Issue Price, payable in full on application, up to a maximum entitlement calculated on the basis of:

#### 1 Open Offer Share for every 1 Existing Ordinary Share

held at the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum guaranteed entitlement, indicated in Box B on the Open Offer Application Form. In addition, Qualifying Shareholders may indicate in Box E of the Open Offer Application Form a whole number of Open Offer Shares in excess of their maximum guaranteed entitlement for which they wish to apply at the Issue Price. Valid elections for Additional Open Offer Shares made by Qualifying Shareholders in excess of their maximum entitlement will only be satisfied to the extent that other Qualifying Shareholders do not apply for Open Offer Shares, or do not apply for their maximum entitlement, under the Open Offer thereby releasing Open Offer Shares, and to the extent that the New Ordinary Shares to be made available under the Retail Offer (see below) are not subscribed, thus releasing New Ordinary Shares, which will be applied in satisfying applications for Additional Open Offer Shares and to the extent not required for this purpose, placed under the terms of the Placing. Any monies paid in excess of the amount due in respect of his/her maximum entitlement and in respect of any Additional Open Offer Shares applied for that are not allocated will be returned without interest by crossed cheque in favour of the applicant at his/her risk. In addition, a Qualifying Shareholder may apply for additional New Ordinary Shares under the Retail Offer.

Applications for Open Offer Shares may only be made on the enclosed Open Offer Application Form, which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy bona fide market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers under the rules of the London Stock Exchange. **The Open Offer Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Any rights to subscribe for Open Offer Shares under the Open Offer which are not exercised will lapse and the Open Offer Shares will be subscribed in the following order: (i) by Qualifying Shareholders who have applied for Additional Open Offer Shares under the Open Offer; (ii) then in satisfying applications in the Retail Offer; and (iii) to the extent that any Open Offer Shares remain unsubscribed, placed under the terms of the Placing.** To the extent that applications for Additional Open Offer Shares exceed the number of shares available, as described above,



to satisfy such applications, Peel Hunt, in consultation with Bridgend, will determine the basis of allocation of Additional Open Offer Shares to Qualifying Shareholders through a ballot by drawing applications for Additional Open Offer Shares randomly until the full value of the Additional Open Offer Shares available for allocation is satisfied. Accordingly, Qualifying Shareholders may not receive all of the Additional Open Offer Shares they apply for and may not receive any such shares. Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Open Offer Shares will not be sold in the market for the benefit of those who do not apply under the Open Offer.

In addition, the Open Offer is not being made to Overseas Shareholders save for those whom the Company and Peel Hunt determine to constitute Qualifying Shareholders and, accordingly, Open Offer Shares attributable to Overseas Shareholders who are not Qualifying Shareholders will be made available under the Open Offer to Qualifying Shareholders to satisfy applications for Additional Open Offer Shares. To the extent that they remain unsubscribed, such shares will then be made available under the Retail Offer and to the extent that they still remain unsubscribed, placed pursuant to the Placing with the proceeds being retained for the benefit of the Company. The attention of Overseas Shareholders is particularly drawn to paragraph 9 below entitled "Overseas Shareholders and Investors".

This letter and the accompanying Open Offer Application Form contain the formal terms and conditions of the Open Offer.

The Open Offer Application Form shows the number of Existing Ordinary Shares registered in your name at the Record Date and the maximum number of Open Offer Shares for which you are entitled to apply under the Open Offer. You may apply for less than your maximum entitlement should you so wish. In addition, you may elect to apply for Additional Open Offer Shares.

**If you wish to apply for all or any of the Open Offer Shares to which you are entitled and any Additional Open Offer Shares, you should complete the accompanying Open Offer Application Form in accordance with the instructions thereon and return it, together with the appropriate remittance for the full amount payable on application, by post to New Issues, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or, by hand only, to Capita IRG Plc, 23 Ironmonger Lane, London EC, in each case so as to arrive no later than 3.00 p.m. on 8 August 2000, after which Open Offer Application Forms will not be accepted. Open Offer Application Forms will only be accepted at the above addresses and in the manner described above. Applications once made will be irrevocable. A reply-paid envelope is enclosed for your use.**

By completing and delivering an Open Offer Application Form, you (as the applicant(s)):

- (i) agree that your application, the acceptance of your application and the contract resulting therefrom shall be governed by, and construed in accordance with, English law; and
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you, accordingly, agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any information or representation not contained in this document.

Application for Open Offer Shares under the Open Offer does not prevent a Qualifying Shareholder from applying for New Ordinary Shares under the Retail Offer.

The Company may (in its sole discretion) treat an Open Offer Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 8 August 2000 from an authorised person (as defined in the Financial Services Act 1986) specifying the Open Offer Shares concerned and undertaking to lodge the relevant Open Offer Application Form in due course.

If you do not wish to apply for any Open Offer Shares you should not complete the enclosed Open Offer Application Form. All enquiries in relation to the Open Offer Application Form should be addressed to New Issues, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, telephone number 020 8639 2000. This helpline will not provide any financial advice.

## **5. The Retail Offer**

Individuals aged 18 or over with a mailing address in the United Kingdom who have registered for the Retail Offer will have the opportunity to subscribe at the Issue Price for 126,512,345 New Ordinary Shares offered by Bridgend under the Retail Offer.

hemscott.NET Employees may apply for New Ordinary Shares and will be given preference when allocations of New Ordinary Shares are made under the Retail Offer (but will not receive any preference in terms of price). Otherwise, applications made by hemscott.NET Employees will be subject to the same terms and conditions of the Retail Offer as ordinary applicants, as set out in this Part II and Part IX of this document.

Investors wishing to take part in the Retail Offer must apply for either £900, £1,485, £3,015 or £4,995 worth of New Ordinary Shares. Applications can only be made at one of these four levels. If demand under the Retail Offer exceeds the number of New Ordinary Shares available in the Retail Offer (including any Open Offer Shares not taken up under the Open Offer which are applied to satisfy applications under the Retail Offer), Peel Hunt, in consultation with Bridgend, will allocate the New Ordinary Shares through a ballot of investors applying for New Ordinary Shares, such ballot to be conducted by drawing applications randomly until the full value of the Retail Offer is satisfied. Accordingly, prospective investors may not receive the New Ordinary Shares they apply for if they are unsuccessful in a ballot. Applications, if satisfied, will only be allocated in full and there will be no scaling back of allocations. To the extent that any New Ordinary Shares subject to the Retail Offer are not subscribed for, they will be subscribed in the following order: (i) by Qualifying Shareholders who have applied for Additional Open Offer Shares under the Open Offer; and (ii) to the extent not required for that purpose, placed under the terms of the Placing.

Multiple applications under the Retail Offer are not permitted. A prospective investor may apply only once for New Ordinary Shares in the Retail Offer.

If you decide to apply for New Ordinary Shares in the Retail Offer, you should download, print and complete a Retail Offer Application Form by following the instructions on the Issues Direct/Bridgend Site (carefully following the instructions in the accompanying guidance notes) and return this with a sterling cheque, banker's draft or money order as soon as possible.

**In all cases, your completed Retail Offer Application Form together with a sterling cheque, bankers' draft or money order must be received by post to New Issues, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or, by hand only, to Capita IRG Plc, 23 Ironmonger Lane, London EC2, in each case so as to arrive by no later than 12 noon on 1 August 2000, after which Retail Offer Application Forms will not be accepted. You must not alter the application form in any way as this may result in your application being rejected in whole or in part.**

All enquiries in relation to the Retail Offer Application Form should be addressed to Capita IRG Plc, 34 Beckenham Road, Beckenham, Kent BR3 4TH, telephone number 020 8639 2085. This helpline will not provide any financial advice.

**The further terms and conditions that apply to the Retail Offer are set out in Part IX of this document.**

## **6. Requirements relating to payment**

**All payments must be in pounds sterling and must be made by sterling cheque, banker's draft or money order, made payable to "Capita IRG Plc – A/C Bridgend Group PLC", and crossed "Account Payee Only". Cheques and banker's drafts must be drawn on a bank or a building society in the**

UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **Any application which does not comply with these requirements may be rejected.**

The Company reserves the right to have cheques, banker's drafts and money orders presented for payment on receipt and to instruct Capita IRG Plc to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Offer have been fulfilled, the application moneys will be held in a separate bank account pending the fulfilment of those conditions. Any interest on such moneys will be retained for the Company's benefit. The cheque and/or banker's draft and/or money order accompanying your application may be presented on receipt and before acceptance of your application, but this will not constitute acceptance of your application, either in whole or in part. The proceeds of this presentation will be held pending acceptance and, if any application is accepted and the conditions of the Offer satisfied, will be applied in discharging the total amount due for the New Ordinary Shares you have been allocated. If the conditions of the Offer are not fulfilled by 15 August 2000 (or such later date as Peel Hunt and the Company may agree but, in any event, not later than 15 September 2000), the application monies will be returned (without payment of interest) as soon as practicable thereafter by crossed cheque in favour of applicants through the post at their risk. Return of an Application Form with the appropriate remittance will constitute a warranty that such remittance will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected. The Company may require an applicant to pay interest and any other resulting costs if the cheque accompanying his/her application is not honoured on first presentation.

If any application is rejected then the applicant's cheque, money order or banker's draft or a crossed cheque for the relevant amount (without interest) will be returned to the applicant as soon as possible thereafter by post at the applicant's risk.

If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional independent financial adviser authorised under the Financial Services Act 1986 immediately.

## **7. Settlement and dealings in the New Ordinary Shares**

Application has been made for the New Ordinary Shares, the Consideration Shares and the Existing Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares will, when issued fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares and the Consideration Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid after the date of their issue. The Offer is conditional on the conditions described above in paragraph 2 of this letter. Therefore, allocations under the Offer are not expected to become unconditional until the commencement of dealings on AIM. Admission is expected to take place and dealings in the New Ordinary Shares are expected to commence on AIM at 8.00 a.m. (London time) on 15 August 2000. Settlements of dealings from that date will be on a five-day rolling basis.

In the case of persons who wish to receive their New Ordinary Shares under the Open Offer in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Open Offer Application Form, such shares will be issued in uncertificated form on 15 August 2000. The Company's registrars will instruct CRESTCo Limited to credit the appropriate stock accounts of such persons with their entitlements to New Ordinary Shares under the Open Offer with effect from the date of issue.

In the case of persons who do not wish to receive their New Ordinary Shares under the Open Offer in uncertificated form and in the case of persons applying under the Retail Offer, definitive certificates for such shares are expected to be despatched by post by or on 15 August 2000. Pending despatch of the

definitive share certificates, transfers of the New Ordinary Shares will be certified against the register. No temporary documents of title will be issued. All documents or remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue New Ordinary Shares in certificated form notwithstanding any other provisions set out in this Part II or the Open Offer Application Form or elsewhere in this document.

## **8. Money laundering regulations**

It is a term of the Open Offer and the Retail Offer that in order to ensure compliance with the Money Laundering Regulations 1993, Capita IRG Plc may, at its absolute discretion, require verification of identity from any person lodging an Application Form (the "applicant") including, without limitation, any applicant who (i) tenders payment by way of cheque, money order or banker's draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to Capita IRG Plc to be acting on behalf of some other person. In the former case, evidence satisfactory to Capita IRG Plc of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. Pending the provision of evidence satisfactory to Capita IRG Plc, as to identity, definitive certificates may be retained at the absolute discretion of Capita IRG Plc. Return of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 1993 will not be breached by the acceptance of the remittance and an undertaking to the Company from the applicant to provide verification of identity reasonably satisfactory to Capita IRG Plc, if so requested. Failure to provide satisfactory evidence of identity, if requested, may result in the application being treated as invalid or in a delay in it being accepted. If, within a reasonable period of time following a request for verification of identity, but in any event not later than the latest time for acceptance and payment in full, Capita IRG Plc has not received such evidence, the Company and Capita IRG Plc reserve the right, at their absolute discretion, to terminate any contract constituted by an Application Form in which event the application moneys will be returned without interest to the account at the drawee bank from which such moneys were originally debited without prejudice to the rights of the Company to set off against such monies, or take proceedings to recover, the loss suffered by it as a result of the failure to produce evidence satisfactory to it as aforesaid.

In the event that applicants use a cheque drawn by a building society or another party or a banker's draft or money order, to facilitate satisfaction of the verification of identity requirements, applicants should:

- (a) write their own name, address and date of birth on the back of the building society cheque or banker's draft or cheque, or record their date of birth against their name;
- (b) if a building society cheque or banker's draft is used, ask the building society to endorse on the cheque the name and account number of the person whose building society or bank account is being debited; and
- (c) deliver their application by hand and ensure that they have with them evidence of identity bearing their photograph (for example, a valid full passport).

If applicants are making an application as agent for one or more persons and are not a UK or EU regulated person or institution, then, irrespective of the value of the applications, Capita IRG Plc are obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made.

## **9. Overseas Shareholders and Investors**

### **(a) General**

Receipt of this document and/or an Application Form does not constitute an offer or invitation to Overseas Shareholders or any other person outside the UK in any territory in which it would be unlawful to make an offer or invitation and in such circumstances this document and/or any Application Form are sent for information only.

It is the responsibility of any Overseas Shareholder or overseas applicant under the Retail Offer wishing to apply for New Ordinary Shares under the Offer to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent or approval, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **If you are in any doubt as to your position you should consult a professional adviser.**

No person receiving this document and/or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used by him without contravention of any registration or other regulatory or legal requirement. In such circumstances, the document and/or the Application Form are sent for information only, are confidential and should not be copied or distributed.

The Company and Peel Hunt reserve the right to reject any application for New Ordinary Shares under the Offer made by or on behalf of a person outside the UK or if the Company is not given the relevant warranty set out in the relevant Application Form or if it appears that the application may constitute a breach of such warranty or relevant securities legislation. Notwithstanding any other statement in this document, the Company and Peel Hunt reserve the right to permit an Overseas Shareholder to take up Open Offer Shares under the Open Offer if the Company and Peel Hunt are satisfied that such action would not result in contravention of any applicable legal or regulatory requirements.

*(b) United States*

Neither the Application Forms nor the New Ordinary Shares have been or will be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any state of the United States. The New Ordinary Shares may not be, directly or indirectly, offered, sold, renounced, taken up or delivered or transferred in or into the US, or to or for the benefit of a US person. Open Offer Application Forms will not be sent to Qualifying Shareholders with registered addresses in the US or to Shareholders with registered addresses elsewhere whom the Company knows or reasonably believes to be holding Existing Ordinary Shares for the benefit of a US Person and applications under the Retail Offer will not be accepted from investors with addresses in the US or from US Persons.

*(c) Canada*

The New Ordinary Shares have not been and will not be qualified for sale under the securities law of any province or territory of Canada and the relevant exemptions are not being obtained from the Securities Commission of any province of Canada. Accordingly, no offer of New Ordinary Shares is being made under this document or any Application Form to Qualifying Shareholders or investors under the Retail Offer with registered addresses in or to residents of Canada and Application Forms will therefore not be sent to Qualifying Shareholders or accepted from investors under the Retail Offer with a registered address in Canada.

*(d) Australia*

No prospectus in relation to the New Ordinary Shares has been or will be lodged with, or registered by, the Australian Securities and Investments Commission. New Ordinary Shares may not be offered for subscription or purchase, sold, or delivered, indirectly or directly, nor may any invitation to subscribe for, buy or sell New Ordinary Shares be issued or any draft or definitive document in relation to such offer, sale or invitation be distributed in or into the Commonwealth of Australia, its states, territories or possessions or to or for the account or benefit of any person (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia). Accordingly, no offer of New Ordinary Shares is being made under this document or any Application Form to persons with registered addresses in, or to residents of, Australia and Application Forms will therefore not be sent to Qualifying Shareholders or accepted from investors under the Retail Offer with registered addresses in Australia.

*(e) Japan*

The relevant clearances have not been lodged and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan. Therefore, New Ordinary Shares may not be offered for subscription or purchase, sold or delivered, directly or indirectly, nor may any invitation to subscribe for or buy or sell New Ordinary Shares be issued or any draft or definitive document in relation to such offer, sale or invitation be distributed in or into Japan or its territories or possessions. Accordingly, no offer of the New Ordinary Shares is being made under this document or the Application Forms to persons or investors under the Retail Offer with registered addresses in, or to residents of, Japan and Application Forms will not be sent to Qualifying Shareholders with registered addresses in Japan.

**It is the responsibility of all Qualifying Shareholders or investors under the Retail Offer resident or with a registered address outside the United Kingdom who wish to apply for New Ordinary Shares to satisfy themselves as to the full observance of the laws of the relevant territory in connection therewith including all necessary governmental and other consents and complying with all formalities to enable them to take up their entitlement.**

**The above comments are intended as a general guide only and do not constitute definitive statements of the specific laws affecting Qualifying Shareholders or investors under the Retail Offer. Overseas investors who are in any doubt as to whether they require any governmental or other consents or will need to observe any other formalities to enable them to take up any New Ordinary Shares should consult their professional advisers.**

#### **10. Taxation**

Information concerning some of the UK taxation consequences of the Offer is set out in Part VIII of this document. The taxation consequences for Qualifying Shareholders or investors under the Retail Offer depends on their own circumstances. Although the Directors have been advised that the statements expressed in paragraph 13 of Part VIII are generally correct, they may not be applicable to certain Qualifying Shareholders or investors under the Retail Offer. **You are strongly recommended to consult your own professional adviser if you are in any doubt as to your tax position.**

#### **11. Further information**

Your attention is drawn to the information set out in Parts I and III to X of this document.

Yours faithfully

For Peel Hunt plc

**Christopher Holdsworth-Hunt**  
**Director**

## PART III

### INFORMATION ON HEMSCOTT.NET

#### Overview of hemscott.NET

hemscott.NET currently derives more than 50 per cent. of its business from the provision of business-to-business services. This comprises principally the provision of data in both raw and packaged formats and on-line investor relations services. hemscott.NET is also a leading UK internet provider of extensive and regularly updated business and investment information. hemscott.NET has diversified on-line revenue streams and provides content, connectivity and emerging e-commerce facilities to its user communities.

The foundation of hemscott.NET's business is the supply of content-rich financial and corporate information, which it supplies to a customer base that includes a number of the UK's leading fund managers. hemscott.NET also supplies information through its web site located at [www.hemscott.net](http://www.hemscott.net). In January this year hemscott.NET was the only investment site awarded an overall five star rating by the London *Evening Standard* newspaper on the basis of content, design and speed of access, which reflects the strength of hemscott.NET's position in this sector. The content is sourced from hemscott.NET's extensive proprietary database built up over 15 years and the hemscott.NET in-house editorial team, together with contributions from third-party providers and from hemscott.NET's registered users in the form of messages posted on hemscott.NET's bulletin board.

The New Board's objectives will be to continue to enhance the content on the hemscott.NET Site and to create value-added services by:

- supplying branded business information to customers;
- continuing to improve on-line investor relations service offerings;
- increasing access to hemscott.NET's content-rich database of financial and corporate information;
- adding informed comment and opinion;
- adding analysis, functionality and products; and
- introducing new features, such as enhanced portfolio management tools.

The New Board also intends to increase hemscott.NET's revenues by identifying and segmenting the business-to-business communities that use the hemscott.NET Site with a view to providing value-added services to meet the needs of members of those communities in both their professional and private lives. Presently, hemscott.NET's principal affiliated community internet portal is Hemscott Invest. The portal is cross-linked with other related business information services available on the hemscott.NET Site.

In addition, the New Board will seek to exploit new technological opportunities, including the provision of information over new media platforms, such as third-generation mobile phones and WAP applications. The activities of hemscott.NET are well-suited to real-time roaming applications such as WAP as this allows information to be delivered to virtually any location. Prices, alerts and dealing facilities are all ideal applications for WAP and mobile platforms. Such developments are likely to involve hemscott.NET entering into strategic relationships. hemscott.NET already has a strategic relationship (by way of a non-exclusive licensing agreement and a UK exclusive marketing agreement for a limited period) with W-Trade Technology of the US to deliver information and facilitate transactions on handheld or wireless devices, including WAP-enabled mobile phones.

The New Board will also seek to gain further business in the development and provision of finance-related web sites. hemscott.NET has an exclusive agreement to develop and run a web site for the ProShare (UK) Limited investment clubs which is expected to become operational during July 2000. hemscott.NET is responsible for the sale of advertising on the ProShare site.

Currently, the hemscott.NET Site is one of the leading independent business and investment information web sites in the UK. The hemscott.NET Site is highly active as is demonstrated by the figures in the table below:

<i>Month</i>	<i>Page impressions (millions)</i>	<i>Unique users</i>
September 1999	7.8	311,000
December 1999	13.6	540,000
March 2000	20.0	884,000
April 2000	12.6	665,000
May 2000	12.0	600,000
June 2000	12.0	567,000

hemscott.NET's management believes that the principal factor behind the decline in April and May 2000 was a downturn at that time in the equities markets, leading to a decrease in share trading volumes. The majority of the hemscott.NET Site's activity is during business hours and the incidence of the Easter weekend and bank holiday weekends in April and May 2000 resulted in three consecutive four-day weeks and a prolonged holiday period. In addition two technology issues in April 2000, both now resolved, hampered access to the hemscott.NET Site. The hemscott.NET Site user data for April, May and June 2000 is not audited.

The New Board believes the key strengths of the hemscott.NET Site include its interactive nature and its active community base, over 15,000 of whom have registered to contribute to the "Information Exchange" bulletin board, which currently receives on average over 1,250 messages every business day.

The data contained in hemscott.NET's proprietary database is in the main drawn from annual reports and accounts, press releases, brokers' reports and other corporate information, including details of directors, directors' dealings and advisers and their contact details. This information is then enhanced through analysis and collation and augmented by relevant additional information including share price and trade information and RNS and AFX news stories. hemscott.NET believes that a major strength of its business is its ability to call on the depth and breadth of the information in its database for use on the hemscott.NET Site.

The New Board intends to increase and develop revenues from four key sources:

- off-site revenues (such as sales of raw data and data sets);
- on-line investor relations packages and services;
- those participating in the hemscott.NET Site (advertisers and sponsors); and
- the users of its site (subscriptions from single users and via site licences from multiple users).

The New Board believes that the value-added content in its database and the strength of its brand will allow hemscott.NET to sell subscription services and products to site users. The New Board also believes that, because of the quality of its user base, financial and business communities recognise the value of exposure on the hemscott.NET Site and therefore participate through advertising, sponsorship and on-line investor relations packages.

hemscott.NET commissioned a customer profile study by Experian Limited of the demographic traits of its ISP user base in March 2000, using a data sampling process. Based on that survey, approximately 63 per cent. of hemscott.NET registered ISP users are in a professional, self-employed/business or white-collar occupation and 56 per cent. of such users already hold equity investments. The age profile revealed for such users was 46 per cent. in the 35 to 54 age range, 26 per cent. in the over-55 range and 14 per cent. in the 25 to 34 year range.

The business is based in London and employs over 100 people.



## **Origins of hemscott.NET and continuing relationship with Hemmington Scott Limited**

hemscott.NET has its origins in Hemmington Scott Limited ("HSL") (now called HS Financial Publishing Limited, which previously carried on the business now being carried on by hemscott.NET) which was established in 1985 to publish stock exchange statistics. HSL developed a series of hard copy products, derived from its database. By the early 1990s, HSL had become one of the leading publishers of guides and directories on companies quoted on the UK stock market. Its principal database related products included "The Hemscott Company Guide" (formerly "The Hambro Company Guide"), "Company REFS", and the "PricewaterhouseCoopers Corporate Register". In 1995, HSL as an adjunct to its publishing business was one of the first UK companies to offer limited corporate information on the internet.

Following the rapid development of the internet as a business model, it was determined in July 1999 to offer greater access to the database on the internet and to establish the hemscott.NET Site. To increase the focus and development of the hemscott.NET Site, it was determined to establish the hemscott.NET Site as a stand-alone business. To this end, by way of a two stage reorganisation completed in January 2000 the internet and database activities previously carried on by HSL were transferred to hemscott.NET Limited, separately owned from HSL, which continues to own its business of hard copy and similar media publishing and other activities. Since January 2000, hemscott.NET has developed the internet business and now owns and operates the database and the hemscott.NET Site.

hemscott.NET therefore consists of the database and the internet activities, and also includes Hemscott Investment Analysis Limited, a business regulated by the Personal Investment Authority to carry out investment business. It also owns the brand "Hemmington Scott" and has formed a wholly-owned subsidiary named Hemmington Scott Limited. hemscott.NET is not engaged in the publishing of any hard copy products.

Following the reorganisation of HSL the database is now owned by a subsidiary of hemscott.NET. As part of that reorganisation, HSL and hemscott.NET Limited entered into a number of continuing arrangements, including a data supply agreement under which hemscott.NET Limited has agreed to supply HSL with information from its database for an agreed fee, and an on-line distribution agreement under which hemscott.NET Limited has agreed to act as HSL's agent for the hosting and on-line distribution of REFS On-Line (an on-line product forming part of the publishing and conferencing business retained by HSL), with hemscott.NET Limited to be remunerated on a commission basis. There are other technical and administrative arrangements in place between the two companies. Details of the ongoing arrangements are set out in paragraph 8.3 in Part VIII of this document. Charles Jillings, one of the Directors, is also a director of HS Publishing Group Limited, the holding company of HSL. The shareholders of hemscott.NET and of HS Publishing Group Limited immediately following this reorganisation were the same persons and, accordingly, CRBF remains the major shareholder in HS Publishing Group Limited.

## **Management Structure**

Following the decision to appoint management to maximise the value of the internet business, Rosalyn Wilton was appointed as Chief Executive Officer of the business in November 1999. Since this appointment, a number of key additions to hemscott.NET's senior management team have been made. hemscott.NET's board comprises Michael Grade, Rosalyn Wilton, Kevin O'Byrne, Winston Fletcher and Charles Jillings.

## **hemscott.NET's data**

The New Board believes that the foundation of hemscott.NET's business lies in the depth of its database and the strength of its brand.

### *The Database*

From the origins of the publishing operations in 1985, the business has been one based on, and driven by, the database of UK-focused financial information. This database was acquired by hemscott.NET Limited as part of the recent reorganisation of the business now owned by hemscott.NET Limited which was completed in January 2000, and is described in Part VIII of this document, and now contains information on approximately 2,100 quoted companies and investment trusts. The database has been maintained and developed over 15 years and the New Board considers it to be one of the best of its type in the United Kingdom in terms of its content. At the outset, the company developed software to enable data from the database to be converted into typeset pages to be used in its hard-copy publishing business. However, with the development of the internet business this software was adapted so as to generate html web pages.

Since 1985, considerable expertise has been developed at inputting the relevant source data to the database. At present 24 analysts are involved in maintaining the database. These analysts manually input data derived from annual reports and accounts, press releases, brokers' reports and other sources to the database. The data input flow is subject to an internal quality control procedure designed to ensure its accuracy. Information received is in most cases entered into the database on the day of its receipt. Once compiled, information on the database is then analysed and collated to create a content-rich core of information. This core is then augmented by live news feeds and real time prices to produce the dynamically updated information contained on the hemscott.NET Site. hemscott.NET believes it can utilise the database to increase the attraction of the hemscott.NET Site.

### *Data Sales*

hemscott.NET currently sells business and investment information from its database to more than 50, principally UK-based, customers. hemscott.NET's data sales customer base includes:

- internet brokers such as E\*trade and DLJ Direct;
- financial information wholesalers such as Primark and OneSource;
- recipients of raw feeds of data such as PricewaterhouseCoopers and KPMG; and
- fund managers such as 3i and Nomura, who subscribe to a value-added product called Abacus (a CD-ROM based analytical tool).

Recipients of data from hemscott.NET use such data for a wide range of applications including research, as a basis for investment decisions and for on-selling. By offering its information to owners of other competing databases, hemscott.NET believes it not only benefits from the additional revenues derived from an extended customer base but also, as these customers make use of the information, the exposure of hemscott.NET's branded data is increased. In many cases, hemscott.NET offers only summary data to other internet sites (including on a co-branded basis with Yahoo and Microsoft) together with a cross-link back to the hemscott.NET Site for those seeking more detailed information, thus preserving the integrity of its database and attracting users to its own hemscott.NET Site.

### *On-line investor relations*

hemscott.NET offers on-line investor relations services to UK quoted companies and investment trusts. This service is currently used by 15 FTSE 100 companies and 149 customers in total. In return for an annual fee, hemscott.NET will make data available on that customer's web site, such as the annual accounts, share price information and press releases relating to that company, and it will provide cross-links between the two web sites. hemscott.NET intends to offer additional improved services to its existing and future investor relations client base. The New Board believes that growth opportunities lie in this business area.

## **The hemscott.NET Site**

The hemscott.NET Site is continually updated with static html pages being refreshed with information from hemscott.NET's database overnight. The New Board considers that the dynamic nature of the hemscott.NET Site, together with the tools embedded within it, provide users with compelling content. To enhance this attractiveness, hemscott.NET plans to introduce further features.

In addition, hemscott.NET is looking to enhance its overall product range by considering the development of applications for use with emerging media platforms.

### *Current content*

The hemscott.NET Site is designed around a core of information derived from the database and currently arranged in two vertical portals, each focused on a specific interest community (the investment community and the legal community) and offering value-added products that cater for that interest group with cross-links to other elements of the site. hemscott.NET is currently in the process of introducing several new products and services. These include portfolio monitoring software and live share prices.

### *Hemscott Invest*

This portal, which draws together information, news, analysis and comment, is aimed at the investor community.

The content of the Hemscott Invest portal is mainly event-driven and incorporates AFX News and announcements via RNS. It cross-links to the hemscott.NET Site's extensive series of dynamic market pages showing share prices (which are updated subject to a 15 minute delay), price related investment statistics and AFX news stories organised by, for example, FTSE index, sector and companies.

The key competitive advantage which hemscott.NET seeks to exploit with the Hemscott Invest portal is the underlying volume of data contained in the hemscott.NET database. This information, coupled with external share price and news feeds, creates a vertical portal for retail and business investors. In addition, cross-links are provided to such features as the Information Exchange and other data services provided on the hemscott.NET Site.

### *Hemscott Legal*

hemscott.NET launched the Hemscott Legal portal on 22 November 1999 with a subsequent redesign and relaunch in April 2000. The portal aims to provide a leading communication interface between purchasers of legal services, such as in-house corporate lawyers and business decision-makers who require legal support and are already attracted to the hemscott.NET Site, and providers of legal services, namely the law firms.

The key elements of the legal portal are currently deals and disputes databases and a recruitment database.

Access to Hemscott Legal is free of charge. hemscott.NET expects to derive revenues from recruitment subscriptions and advertising and sponsorship.

The development of the Hemscott Legal portal is supported by a number of leading law firms who have nominated representatives to an advisory panel.

### *Internet Service Provider*

hemscott.NET became an ISP in July 1999, offering customers no-fee access to the internet. hemscott.NET ISP customers who use the hemscott.NET home page to gain access to the internet obtain free access to the current Business Plus subscription service.

hemscott.NET's ISP service is entirely sub-contracted to UUNET on terms which entitle hemscott.NET to receive a fee representing a proportion of the ISP users' connection charges. UUNET also provides technical customer support under the hemscott.NET brand.

As at 2 July 2000, hemscott.NET had more than 60,000 ISP customers.

### *Competition*

The market for internet services and products is relatively new, but highly competitive and rapidly changing. The number of web sites competing for users and their custom has increased and is expected to continue to increase rapidly.

hemscott.NET considers it has a number of important competitive advantages over many of its rivals. These include:

- the strength of the "Hemscott" brand name, which is well known within the business and investor communities in the UK;
- the database of UK equity fundamentals, which hemscott.NET believes is one of the most comprehensive in the UK. hemscott.NET believes it would take significant time, resources and expertise to create a similar database and related software and operations;
- hemscott.NET considers the quality of its user base, which includes business-decision makers, investors and others, to be a strong asset in attracting advertising and sponsorship;
- hemscott.NET's diversity of revenue streams, which include data sales, on-line investor relations services, advertising, sponsorship and subscriptions; and
- the experience of hemscott.NET's management team and the management structure which enables and facilitates rapid decision making.

### *Customer Support and Services*

Users of the hemscott.NET Site have access to two levels of customer support:

- support services offered by hemscott.NET itself in relation to the hemscott.NET Site and the products and information available on the hemscott.NET Site – users can obtain this support via a direct e-mail link or telephone line; and
- a technical support service provided by UUNET but branded as hemscott.NET Technical Support, which is available by means of a separate telephone line.

These technical and product support services are supplemented by a trouble-shooting "Frequently Asked Questions" section on the hemscott.NET Site.

## PART IV

### RISK FACTORS

The Directors and the Proposed Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Qualifying Shareholders, investors and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Enlarged Group, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors and prospective investors should carefully consider whether investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

- Application will be made for the Company's enlarged issued share capital to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document for the purposes of admission to trading on AIM.
- The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in Part I of this document) and therefore the Ordinary Shares may be or may become difficult to sell.
- The market perception of securities related to the internet may worsen and, accordingly, the value of the Ordinary Shares may decline.
- Competition in hemscott.NET's target marketplace is significant and may also increase significantly and this may limit hemscott.NET's ability to maintain market share or revenue levels.
- Fluctuations in the securities markets, about which the hemscott.NET Site provides information, may affect demand for the hemscott.NET Site.
- hemscott.NET has a short operating history having commenced trading as a discrete entity in January 2000. There is no certainty as to when or if the number of users, customers or e-commerce contracts will rise to sufficient levels to generate profits.
- hemscott.NET is dependent on the reliability, capacity and service level of the hemscott.NET Site. Interruption to the hemscott.NET Site, whether due to failure of hemscott.NET's own computers and systems (including any failure arising on hemscott.NET's imminent planned relocation to new premises) or those of outside suppliers to hemscott.NET, may have an adverse effect on the Enlarged Group.
- hemscott.NET is dependent upon certain personnel for its continued success. Although the Enlarged Group has appropriate employment arrangements with each of its key personnel to secure their services, the retention of their services cannot be guaranteed.
- Inadequate protection by hemscott.NET of its intellectual property rights may harm its ability to enhance its brand building efforts and, therefore, its ability to compete effectively.
- The making available, through the internet, of information either generally or more particularly financial information may become subject to regulation or increased regulation which may affect the business of the Enlarged Group.
- The law concerning the liability which may attach to web site owners is unclear at present. In certain circumstances the owner of a web site such as hemscott.NET may incur liability to persons using the hemscott.NET Site or third parties in respect of information supplied on or through, or transactions relating to, the hemscott.NET Site.
- Following Completion, Bridgend intends to seek suitable purchasers for Kingavon Limited and Brimley & Co. Limited. In the event that such suitable purchasers are found, these businesses may or may not achieve on disposal their net book value as at 31 December 1999.

## PART V

### ACCOUNTANTS' REPORT ON BRIDGEND



KPMG Audit Plc

PO Box 695

8 Salisbury Square

London EC4Y 8BB

United Kingdom

The Directors and Proposed Directors (as defined in the AIM admission document)  
Bridgend Group PLC  
68 Great Eastern Street  
London EC2A 3JT

The Directors  
Peel Hunt plc  
62 Threadneedle Street  
London EC2R 8HP

12 July 2000

Dear Sirs and Madam

We report on the financial information set out below. This financial information has been prepared for inclusion in the Class 1 circular incorporating a prospectus (referred to as the "AIM admission document") of Bridgend Group PLC ("Bridgend Group") dated 12 July 2000.

#### *Basis of preparation*

The financial information set out in paragraphs 1 to 5 below is based on the audited consolidated financial statements of the Company and its subsidiary undertakings for three years ended 31 December 1999 to which no adjustments were considered necessary.

#### *Responsibility*

The financial statements are the responsibility of the directors of Bridgend Group who approved their issue. The Directors and the Proposed Directors of Bridgend Group are also responsible for the contents of the AIM admission document dated 12 July 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### *Basis of opinion*

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to Bridgend Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### *Opinion*

In our opinion the financial information gives, for the purposes of the AIM admission document dated 12 July 2000, a true and fair view of the state of affairs of Bridgend Group as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended.

# 1. Consolidated Profit and Loss Accounts

Year ended 31 December

	Notes	1997 £'000	1998 £'000	1999 £'000
<b>Turnover</b>	5.2			
Continuing operations		22,058	20,918	17,594
Discontinued operations		1,943	2,029	679
		<u>24,001</u>	<u>22,947</u>	<u>18,273</u>
<b>Cost of sales</b>	5.3	(15,967)	(15,426)	(12,820)
<b>Gross profit</b>		8,034	7,521	5,453
Compensation for Directors' loss of office	5.7	—	—	(260)
Cost of business restructure and redundancy		(47)	(136)	(139)
Write-down of hotel property		—	(3,540)	—
Costs of aborted disposals/acquisitions		—	(102)	—
Other operating expenses	5.3	(7,384)	(7,971)	(6,038)
<b>Net operating expenses</b>		(7,431)	(11,749)	(6,437)
<b>Operating profit/(loss)</b>				
Continuing operations		513	(747)	(964)
Discontinued operations		90	(3,481)	(20)
		<u>603</u>	<u>(4,228)</u>	<u>(984)</u>
Gain on sale of discontinued operations before goodwill	5.26	—	—	71
Negative goodwill written-off on discontinued operations	5.19	—	—	315
		<u>—</u>	<u>—</u>	<u>386</u>
Gain on sale of discontinued operations		—	—	386
Profit on disposal of investments		—	144	—
		<u>603</u>	<u>(4,084)</u>	<u>(598)</u>
<b>Profit/(loss) before interest</b>		603	(4,084)	(598)
Net interest payable and similar charges	5.4	(375)	(457)	(298)
		<u>228</u>	<u>(4,541)</u>	<u>(896)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		228	(4,541)	(896)
Taxation on ordinary activities	5.8	—	—	—
Profit/(loss) for the financial year	5.5	228	(4,541)	(896)
Dividends		(93)	—	—
		<u>135</u>	<u>(4,541)</u>	<u>(896)</u>
<b>Retained profit/(loss) transferred to reserves</b>	5.19	135	(4,541)	(896)
<b>Earnings/(loss) per Ordinary share</b>	5.10	0.3p	(5.5)p	(0.8)p
Adjustments:				
Profit on sale of discontinued operations		—	—	(0.4)p
Compensation for Directors' loss of office		—	—	0.3p
Write-down of hotel property		—	4.3p	—
Cost of business restructure and redundancy		0.1p	0.2p	0.1p
Cost of aborted disposals/acquisitions		—	0.1p	—
Profit on disposal of investments		—	(0.2)p	—
		<u>0.4p</u>	<u>(1.1)p</u>	<u>(0.8)p</u>
<b>Adjusted earnings/(loss) per Ordinary Share</b>		0.4p	(1.1)p	(0.8)p
<b>Diluted earnings/(loss) per Ordinary Share</b>	5.10	0.3p	(5.5)p	(0.8)p
<b>Dividends per Ordinary Share</b>	5.9	0.2p	(0.0)p	(0.0)p

A statement of movements on reserves is given in note 5.19. In addition, there is no material difference between the results presented above and the results on an unmodified historical cost basis, and therefore a note of historical cost profit/(loss) is not required.

The adjusted loss per Ordinary Share figures show the year on year comparison adjusted to exclude profits on sale of discontinued operations inclusive of goodwill, compensation for directors' loss of office, business restructure and redundancy costs, costs relating to aborted corporate transactions, the write-down of a hotel property and profits on disposal of investments.

## 2. Consolidated Balance Sheets

As at 31 December

	<i>Notes</i>	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
<b>Fixed Assets</b>				
Tangible Assets	5.11	<u>6,815</u>	<u>3,250</u>	<u>531</u>
		<u>6,815</u>	<u>3,250</u>	<u>531</u>
<b>Current Assets</b>				
Stocks	5.12	6,660	5,445	4,499
Debtors	5.13	5,109	4,136	4,914
Investments	5.14	530	—	—
Cash at bank and in hand		<u>74</u>	<u>85</u>	<u>213</u>
		<u>12,373</u>	<u>9,666</u>	<u>9,626</u>
<b>Creditors: amounts falling due within one year</b>	5.15	<u>(9,294)</u>	<u>(7,400)</u>	<u>(5,962)</u>
<b>Net current assets</b>		<u>3,079</u>	<u>2,266</u>	<u>3,664</u>
<b>Total assets less current liabilities</b>		<u>9,894</u>	<u>5,516</u>	<u>4,195</u>
<b>Creditors: amounts falling due after more than one year</b>	5.16	<u>(1,883)</u>	<u>(1,933)</u>	<u>(60)</u>
Provisions for liabilities and charges	5.17	<u>—</u>	<u>(113)</u>	<u>(145)</u>
<b>Net Assets</b>		<u>8,011</u>	<u>3,470</u>	<u>3,990</u>
<b>Capital and Reserves</b>				
Called up share capital	5.18	4,022	4,022	5,006
Share premium account	5.19	69	69	816
Capital redemption reserve	5.19	186	186	186
Other reserves	5.19	3,248	—	—
Profit and loss account	5.19	<u>486</u>	<u>(807)</u>	<u>(2,018)</u>
<b>Shareholders' Funds</b>		<u>8,011</u>	<u>3,470</u>	<u>3,990</u>

The shareholders' funds above at 31 December 1999 are fully attributable to equity interests (1997 and 1998: £18,000 relates to non-equity interests).



### 3. Consolidated Cash Flow Statements

Year ended 31 December

	1997		1998		1999	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net cash (outflow)/inflow from operating activities (Note 5.20)</b>		89		1,193		(968)
<b>Returns on investments and servicing of finance</b>						
Interest received	23		31		18	
Interest paid	(372)		(467)		(291)	
Interest on finance leases and hire purchase payments	(25)		(21)		(25)	
		(374)		(457)		(298)
<b>Taxation</b>						
UK Corporation taxation paid	(17)		(138)		(8)	
UK Corporation taxation refunded	5		—		—	
		(12)		(138)		(8)
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets	(245)		(367)		(250)	
Sale of tangible fixed assets	39		41		61	
Sale of investments	—		674		—	
		(206)		348		(189)
<b>Acquisitions and disposals</b>						
Sale of discontinued operations (Note 5.26)		—		—		2,412
Purchase of business		(2,184)		—		—
<b>Equity dividends paid</b>		(68)		(80)		—
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		(2,755)		866		949
<b>Management of liquid resources</b>						
Withdrawals from short term deposits		414		—		—
<b>Financing</b>						
Issue of new Ordinary share capital	—		—		2,003	
Share issue expenses	—		—		(254)	
Issue of Deferred convertible share capital	18		—		—	
Redemption of Deferred convertible share capital	(15)		—		(18)	
New secured bank loan	1,500		2,000		—	
Repayment of bank loans	(335)		(2,209)		(1,968)	
Increase in short term finance bank loans	296		19		607	
Capital element of finance lease and hire purchase payments	(69)		9		(66)	
		1,395		(181)		304
<b>Increase/(decrease) in cash in year</b>		(946)		685		1,253

During 1997 the Company issued 12,500,000 Ordinary Shares valued at £2,452,000 in connection with the acquisition of businesses. During 1998 and 1999 the Group had no major non-cash transactions. An analysis of movements in net borrowings is shown in Note 5.21 and a reconciliation of net cash flow to the movement in net borrowings is shown in Note 5.22.

## 4. Reconciliations of movements in Shareholders' Funds

Year ended 31 December

	1997 £'000	1998 £'000	1999 £'000
<b>Profit/(loss) for the financial year</b>	228	(4,541)	(896)
Dividends	(93)	—	—
Negative goodwill reinstated on sale of discontinued operation	—	—	(315)
	135	(4,541)	(1,211)
New Ordinary share capital subscribed	2,452	—	2,003
Share issue expenses	—	—	(254)
New Deferred Convertible share capital subscribed	18	—	—
Deferred Convertible share capital redeemed	(15)	—	(18)
Goodwill written off	(2,483)	—	—
<b>Net increase/(reduction) in shareholders' funds</b>	107	(4,541)	520
Opening shareholders' funds	7,904	8,011	3,470
<b>Closing shareholders' funds</b>	<u>8,011</u>	<u>3,470</u>	<u>3,990</u>

The Group has no recognised gains or losses other than the (losses)/profit for the financial years as set out above.

## 5. Notes to the Financial Information

### 5.1 Accounting policies

**Basis of accounting:** The financial information is prepared under the historical cost convention as modified by the revaluation of certain land and buildings and complies with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

**Basis of consolidation:** The financial information includes the results of Bridgend Group PLC and all its subsidiaries prepared to 31 December 1999. The results of any subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account for the periods of Group ownership.

The profit and loss accounts for the years ended 31 December 1997 and 31 December 1998 have been restated to reflect the reclassification of Bridgend's Leisure Division as a discontinued operation in accordance with FRS3 *Reporting Financial Performance*.

Purchased goodwill, both positive and negative, arising on consolidation in respect of acquisitions prior to 1 January 1998 has been written off directly to reserves and no adjustment was made on adoption of FRS10 *Goodwill and Intangible Assets*. On disposal, goodwill previously charged directly to reserves is included in determining the profit or loss on disposal. There have been no acquisitions subsequent to 1 January 1998.

**Tangible fixed assets:** Tangible assets are stated at cost or valuation less, if appropriate, accumulated depreciation. No depreciation was provided in respect of freehold hotel and leisure properties. It was the Group's practice to maintain these assets to a standard such that the Directors considered that the lives of these assets were sufficiently long and residual values based on prices prevailing at the time of acquisition or subsequent valuation were sufficiently high that their depreciation was insignificant. Any impairment in the value of such properties to below cost was charged to the profit and loss account as an operating item impairment.

Short leasehold land and buildings are depreciated on a straight line basis over the life of the lease.

Plant, equipment and motor vehicles are depreciated at rates of between 10 per cent. and 33 per cent. calculated to write off their cost less estimated residual value over their estimated useful economic lives.

**Leases:** Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

**Stocks:** Stocks comprise raw materials and goods for resale and have been valued at the lower of cost and net realisable value. In determining cost, the first-in, first-out method is used.

**Deferred taxation:** Deferred taxation represents corporation tax, calculated on the liability basis, deferred by capital allowances and other timing differences to the extent that the Directors expect assets or liabilities to arise in the foreseeable future.

**Pension costs:** The cost of providing pensions to employees is charged to the profit and loss account over the period benefiting from the employees' services. The difference between the charge to the profit and loss account and contributions paid is included as an asset or liability in the balance sheet.

**Foreign currency:** Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheets. Differences arising on the restatement of net investments in foreign subsidiaries are dealt with as adjustments to reserves. All other differences are taken to the profit and loss account.

## 5.2 Segmental Information

### Business Analysis

	Turnover			Operating (Loss)/profit			Net Assets		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Continuing Operations</b>									
Wholesale distribution	22,058	20,918	17,594	1,022	(37)	(273)	6,691	5,668	5,948
Corporate and unallocated	—	—	—	(509)	(710)	(691)	845	(61)	(146)
	22,058	20,918	17,594	513	(747)	(964)	7,536	5,607	5,802
<b>Discontinued operations</b>									
Leisure	1,943	2,029	679	90	(3,481)	(20)	5,822	2,344	(24)
	24,001	22,947	18,273	603	(4,228)	(984)	13,358	7,951	5,778
Net borrowings							(5,347)	(4,481)	(1,788)
							8,011	3,470	3,990

The above wholesale distribution results for 1999 include turnover of £7,111,000 and operating profit of £40,000 in respect of John Sydney Limited, the business and certain assets of which were subsequently sold on 15 March 2000. A proforma statement of net assets after taking into account the John Sydney disposal as if the disposal had taken place at 31 December 1999 is given in note 5.27.

### Geographical Analysis

All net assets are owned by, and the turnover and operating profits are made by, companies located in the United Kingdom. No significant export sales are made.

### 5.3 Cost of Sales and Other Operating Expenses

	1997 £'000	1998 £'000	1999 £'000
Cost of sales	15,967	15,426	12,820
Other operating expenses:			
Distribution and selling costs	2,443	2,453	2,210
Administration expenses	4,941	5,518	3,828
	<u>7,384</u>	<u>7,971</u>	<u>6,038</u>

The above figures for 1999 include cost of sales of £96,000 (1997: £260,000; 1998: £174,000) and administrative expenses of £597,000 (1997: £1,593,000; 1998: £1,096,000) in respect of the discontinued Leisure Division.

### 5.4 Net Interest Payable and Similar Charges

	1997 £'000	1998 £'000	1999 £'000
Interest payable on bank loans and overdrafts	(372)	(467)	(291)
Finance lease and hire purchase interest charges	(25)	(21)	(25)
	<u>(397)</u>	<u>(488)</u>	<u>(316)</u>
Interest receivable	22	31	18
	<u>(375)</u>	<u>(457)</u>	<u>(298)</u>

### 5.5 Loss/Profit for the Financial Year

	1997 £'000	1998 £'000	1999 £'000
The loss/profit for the financial year is stated after charging:			
Depreciation	322	377	394
Audit fees	69	68	67
Non-audit fees payable to KPMG Audit Plc and their associates	113	74	80
Operating lease rentals for plant and machinery	170	194	160
Other operating lease rentals	<u>275</u>	<u>327</u>	<u>257</u>

### 5.6 Employee Costs

	1997 £'000	1998 £'000	1999 £'000
Wages and salaries	3,568	3,475	3,112
Social security	308	311	274
Other pension costs	103	177	123
	<u>3,979</u>	<u>3,963</u>	<u>3,509</u>

The average weekly number of persons employed by the Group during the year was as follows:

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Operations	214	193	147
Administration	61	45	39
	<u>275</u>	<u>238</u>	<u>186</u>

## 5.7 Directors' Emoluments

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Directors' emoluments, included in employee costs above, were as follows:			
Non-executives' fees	56	40	36
Remuneration as executives, excluding pension contributions	368	342	219
Executives' pension contributions	36	39	26
Compensation for directors loss of office	—	—	240
	<u>460</u>	<u>421</u>	<u>521</u>

The above remuneration includes the following in respect of the highest paid director:

Emoluments	168	147	99
Pension contributions	<u>23</u>	<u>25</u>	<u>14</u>

Total compensation for directors loss of office costs in 1999, inclusive of national insurance contributions, amounted to £260,000.

## 5.8 Taxation

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK corporation tax at 20 per cent. (1998: 20 per cent.; 1997: 21.74 per cent.)	19	—	—
Advance corporation tax (previously written off)/written off	(17)	26	—
Adjustment relating to prior years	<u>(2)</u>	<u>(26)</u>	<u>—</u>
Taxation on ordinary activities	<u>—</u>	<u>—</u>	<u>—</u>

The aggregate Group taxation losses carried forward at 31 December 1999 were approximately £1,400,000 (1997 and 1998: £700,000 relating to Stocks Hotel and Country Club Limited, the business and assets of which were sold in August 1999). Additionally both the Company and the Group had an unrecognised deferred tax asset relating to written off advance corporation tax of £286,000 (1997: £249,000; 1998: £286,000).

## 5.9 Dividends

	1997 £'000	1998 £'000	1999 £'000
Ordinary Shares			
– proposed interim dividend of nil (1997: 0.1p; 1998: nil) per share	40	—	—
– proposed interim dividend of nil (1997: 0.1p; 1998: nil) per share	40	—	—
– dividend paid to subscribers of shares issued in 1997	13	—	—
	<u>93</u>	<u>—</u>	<u>—</u>

## 5.10 Earnings/(loss) per share

Earnings/(loss) per share is based on the loss on ordinary activities after taxation of £896,000 (1997: £228,000 profit); 1998: loss of £4,541,000 related to the weighted average number of shares in issue during the year, as adjusted for the bonus element of the additional placing and open offer shares issued in August 1999, of 106,984,466 (1997: 75,669,793 as adjusted; 1998: 83,291,711 as adjusted). Fully diluted loss per share is the same as basic loss per share.

## 5.11 Tangible fixed assets

	<i>Freehold land and buildings £'000</i>	<i>Short leasehold land and buildings £'000</i>	<i>Plant equipment and motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost or valuation</b>				
At 1 January 1998	6,034	152	2,180	8,366
Additions	—	—	367	367
Disposals	—	—	(125)	(125)
At 1 January 1999	6,034	152	2,422	8,608
Additions	4	1	245	250
Disposals	(5,924)	—	(1,542)	(7,466)
At 31 December 1999	<u>114</u>	<u>153</u>	<u>1,125</u>	<u>1,392</u>
<b>Depreciation</b>				
At 1 January 1998	43	43	1,465	1,551
Provision in year	3	18	356	377
Write-down of hotel property	3,540	—	—	3,540
Disposals	—	—	(110)	(110)
At 1 January 1999	3,586	61	1,711	5,358
Provision in year	5	29	360	394
Disposals	(3,540)	—	(1,351)	(4,891)
At 31 December 1999	<u>51</u>	<u>90</u>	<u>720</u>	<u>861</u>
<b>Net book amount</b>				
At 31 December 1999	<u>63</u>	<u>63</u>	<u>405</u>	<u>531</u>
At 31 December 1998	<u>2,448</u>	<u>91</u>	<u>711</u>	<u>3,250</u>
At 31 December 1997	<u>5,991</u>	<u>109</u>	<u>715</u>	<u>6,815</u>

All of the above fixed assets at 31 December 1999 are included at cost less depreciation (1997: included freehold land and buildings at an adjusted valuation of £5,871,000; 1998: included freehold land and buildings at an adjusted valuation of £2,331,000).

The disposals in 1999 include the sale of discontinued operation fixed assets with a net book value of £2,527,000 comprising disposals at a cost or valuation of £7,072,000 less related depreciation of £4,545,000 as disclosed in note 5.26.

During 1998, the Directors took the decision to sell the Stocks Hotel freehold property, which includes the golf course and related plant and equipment. On the basis of offers received it was apparent that these assets were impaired and hence they were written-down by £3,540,000 to a 31 December 1998 value of £2,500,000, being the estimated recoverable amount, net of expenses of sale. Subsequent to the year end in August 1999, contracts for the sale of Stocks Hotel and related assets were exchanged.

Tangible fixed assets acquired under finance leases and hire purchase agreements were as follows:

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Net book amount	301	247	150
Depreciation charge for year	<u>105</u>	<u>96</u>	<u>63</u>

## 5.12 Stocks

	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Raw materials	200	196
Finished goods and goods for resale	<u>5,245</u>	<u>4,303</u>
	<u>5,445</u>	<u>4,499</u>

## 5.13 Debtors

	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Trade debtors	3,764	4,429
Taxation recoverable	20	—
Other debtors	146	236
Prepayments and accrued income	<u>206</u>	<u>249</u>
	<u>4,136</u>	<u>4,914</u>

## 5.14 Current assets – investments

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Listed investments	530	—	—
Market value of listed investments	<u>633</u>	<u>—</u>	<u>—</u>

### 5.15 Creditors – amounts falling due within one year

	1998 £'000	1999 £'000
Bank loans and overdrafts	2,524	1,866
Finance leases and hire purchase	109	75
Trade creditors	2,905	2,571
Corporation tax	65	37
Other taxes and social security	638	496
Other creditors	85	26
Accruals and deferred income	1,074	891
	<u>7,400</u>	<u>5,962</u>

Bank overdrafts are repayable on demand. Bridgend Group PLC has given its bankers the authority to combine or offset its own and certain of its subsidiaries' bank accounts. Details in respect of the bank loans are given in Note 5.16.

Trade creditors of £1,032,000 (1998: £910,000) are covered by letters of credit which are secured by way of a debenture over certain assets of the Group.

### 5.16 Creditors – amounts falling due after more than one year

	1998 £'000	1999 £'000
Bank loans	1,828	—
Finance leases and hire purchase	105	60
	<u>1,933</u>	<u>60</u>

The total amount of bank loans and overdrafts was as follows:

	1998 £'000	1999 £'000
<b>Falling due within one year:</b>		
Bank overdrafts	1,484	359
Bank loans	<u>1,040</u>	<u>1,507</u>
	<u>2,524</u>	<u>1,866</u>
<b>Falling due after more than one year:</b>		
Bank loans – repayable between one and two years	215	—
– repayable between two and five years	645	—
– repayable after five years	<u>968</u>	<u>—</u>
	<u>1,828</u>	<u>—</u>
Total bank borrowings	<u>4,352</u>	<u>1,866</u>

The outstanding bank loans comprise short term trade finance loans which are secured on specific fixed and current assets and carry interest at 2 per cent. above LIBOR. Bank overdrafts are secured by fixed and floating charges over certain assets.



## 5.17 Provisions for liabilities and charges

	<i>Onerous leases £'000</i>	<i>Pension deficit £'000</i>	<i>Total £'000</i>
At 1 January 1998	—	—	—
Provision made in year	40	73	113
At 1 January 1999	40	73	113
Provision made in year	28	42	70
Utilised in year	(28)	(10)	(38)
At 31 December 1999	40	105	145

The onerous leases provision will be utilised over the next ten years.

Further details relating to the pension deficit provision, which will be utilised over the next twelve years, are given in Note 5.25.

## 5.18 Share capital

	<i>1998 £'000</i>	<i>1999 £'000</i>
<b>Authorised:</b>		
152,000,000 Ordinary Shares of 1p each (1998: 43,050,000 of 10p each)	4,305	1,520
45,016,667 Deferred shares of 9p each (1998: 19,500,000 of 1p each)	195	4,052
	<u>4,500</u>	<u>5,572</u>
<b>Allotted, called up and fully paid:</b>		
140,154,322 Ordinary Shares of 1p each (1998: 40,044,092 of 10p each)	4,004	1,402
40,044,092 Deferred shares of 9p each (1998: 1,800,000 of 1p each)	18	3,604
	<u>4,022</u>	<u>5,006</u>

### Movements in share capital

1,800,000 Deferred Convertible Shares of 1p each were redeemed at par in August 1999 and, subsequent to a Special Resolution passed on 28 July 1999, each existing issued and unissued Ordinary Share of 10p in the capital of the Company was sub-divided into one Ordinary Share of 1p and one new Deferred Share of 9p and every nine existing authorised but unissued Deferred Convertible Share of 1p was converted and consolidated into one new Deferred Share of 9p and the capital of the Company was further increased from £4,500,000 to £5,571,500 by the creation of 108,950,000 new Ordinary Shares of 1p each in the Company.

100,110,230 new Ordinary Shares of 1p were issued in August 1999 by way of a placing and open offer at 2p per share to shareholders on the basis of 5 new Ordinary Shares for every 2 Ordinary Shares held.

A summary analysis of the above movements in the share capital of the Company is given below:

	<i>Ordinary Shares</i>		<i>Deferred Shares</i>	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
<b>Authorised:</b>				
At 1 January 1998 and 1 January 1999	43,050,000	4,305	19,500,000	195
Deferred shares redeemed	—	—	(1,800,000)	(18)
Deferred shares consolidated	—	—	(15,733,333)	—
Subdivision of Ordinary Shares	—	(3,875)	43,050,000	3,875
Increase in Ordinary Shares	108,950,000	1,090	—	—
At 31 December 1999	152,000,000	1,520	45,016,667	4,052
<b>Allotted, called up and fully paid:</b>				
At 1 January 1998 and 1 January 1999	40,044,092	4,004	1,800,000	18
Deferred Shares redeemed	—	—	(1,800,000)	(18)
Subdivision of Ordinary Shares	—	(3,604)	40,044,092	3,604
Ordinary Shares issued	100,110,230	1,002	—	—
At 31 December 1999	140,154,322	1,402	40,044,092	3,604

The new Deferred Shares have no value and very limited rights and it is the Directors' intention to carry out a reduction of capital in due course to include, *inter alia*, the cancellation of these shares.

At 31 December 1999 there were 600,000 options outstanding on Ordinary Shares granted under the Bridgend Group PLC Executive Share Option Scheme 1985.

## 5.19 Reserves

	<i>Share premium account £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Merger reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1 January 1998	69	186	3,248	486
Retained loss	—	—	—	(4,541)
Release of merger reserve against diminution in value of related investment	—	—	(5,574)	5,574
Transfer of net goodwill written off	—	—	2,326	(2,326)
At 31 December 1998	69	186	—	(807)
Retained loss	—	—	—	(896)
Share premium on issue of Ordinary Shares	1,001	—	—	—
Share issue expenses	(254)	—	—	—
Negative goodwill reinstated on sale of discontinued operation	—	—	—	(315)
At 31 December 1999	816	186	—	(2,018)

The net cumulative goodwill arising on consolidation which has been taken directly to reserves amounts to £2,688,000 (1998: £2,326,000) at 31 December 1999 of which £2,716,000 (1998: £3,040,000) represents positive goodwill and £28,000 (1998: £714,000) negative goodwill.

## 5.20 Net cash inflow/(outflow) from operating activities

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Operating profit/(loss)	603	(4,228)	(984)
Add back write down of hotel property	—	3,540	—
	<u>603</u>	<u>(688)</u>	<u>(984)</u>
Depreciation	322	377	394
Net profit on sale of tangible fixed assets	(4)	(26)	(13)
(Increase)/decrease in stock	(580)	1,165	936
(Increase)/decrease in debtors	(335)	920	(925)
Increase/(decrease) in creditors	83	(555)	(376)
Net cash inflow/(outflow) from operating activities	<u>89</u>	<u>1,193</u>	<u>(968)</u>

Details of the 1999 operating cash outflows included above in respect of discontinued operations are given in Note 5.26.

The operating cashflows for 1998 are all in respect of continuing operations. Cashflows in 1997 include under operating profit an outflow of £47,000 in respect of restructuring a business acquired in that year.

## 5.21 Movement in net borrowings

	<i>At</i> <i>1 January</i> <i>1998</i> <i>£'000</i>	<i>Cash Flow</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>1998</i> <i>£'000</i>
<b>Cash:</b>			
Cash at bank and in hand	74	11	85
Overdrafts	<u>(2,158)</u>	<u>674</u>	<u>(1,484)</u>
	<u>(2,084)</u>	<u>685</u>	<u>(1,399)</u>
<b>Borrowings excluding overdrafts:</b>			
Debt due within one year	(1,274)	234	(1,040)
Debt due after more than one year	(1,784)	(44)	(1,828)
Finance leases and hire purchase	<u>(205)</u>	<u>(9)</u>	<u>(214)</u>
	<u>(3,263)</u>	<u>181</u>	<u>(3,082)</u>
	<u>(5,347)</u>	<u>866</u>	<u>(4,481)</u>

	<i>At 1 January 1999 £'000</i>	<i>Cash Flow £'000</i>	<i>Non-cash Items £'000</i>	<i>At 31 December 1999 £'000</i>
<b>Cash:</b>				
Cash at bank and in hand	85	128	—	213
Overdrafts	(1,484)	1,125	—	(359)
	<u>(1,399)</u>	<u>1,253</u>	<u>—</u>	<u>(146)</u>
<b>Borrowings excluding overdrafts:</b>				
Debt due within one year	(1,040)	(607)	140	(1,507)
Debt due after more than one year	(1,828)	1,968	(140)	—
Finance leases and hire purchase	(214)	66	13	(135)
	<u>(3,082)</u>	<u>1,427</u>	<u>13</u>	<u>(1,642)</u>
	<u>(4,481)</u>	<u>2,680</u>	<u>13</u>	<u>(1,788)</u>

## 5.22 Reconciliation of net cash flow to movement in net borrowings

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
<b>Increase/(decrease) in cash in year</b>	(946)	685	1,253
Cash outflow/(inflow) from decrease/(increase) in borrowings excluding overdrafts	(1,392)	181	1,427
Cash outflow/(inflow) from decrease in liquid resources	(414)	—	—
<b>Net change in borrowings from cash flows</b>	(2,752)	866	2,680
Leases and finance leases (acquired)/sold	(649)	—	13
<b>Movement in net borrowings</b>	(3,401)	866	2,693
Net borrowings at beginning of year	(1,946)	(5,347)	(4,481)
<b>Net borrowings at end of year</b>	<u>(5,347)</u>	<u>(4,481)</u>	<u>(1,788)</u>

## 5.23 Financial Instruments

The Group's financial instruments comprise finance lease and hire purchase commitments, cash, bank overdrafts and short term finance loans, liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions, principally forward foreign currency contracts. The sole purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance. No speculative positions are taken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of 1999.

### *Interest rate risk*

The Group finances its operations through a mixture of shareholders' funds and bank borrowings. At the year end, no significant external borrowings were at fixed rates.

### *Liquidity risk*

Liquidity is controlled by the careful management of the financial instruments noted above. The Board closely monitors the liquidity of the Group through the review of monthly management accounts and working capital forecasts.

When appropriate the Board has taken action to secure additional funding in order to reduce liquidity risk.

### *Foreign currency risk*

The Group sells almost exclusively to customers in the United Kingdom who are invoiced in Sterling. However, a substantial element of the Group's purchases are secured from Europe, which purchases are invoiced in the currency of the suppliers involved, and from the Far East which purchases are invoiced in US Dollars. The Group's policy is to enter into forward contracts to minimise unforeseen fluctuations in the Sterling value of those transactions.

The Group does not have any overseas trading operations or non Sterling assets and liabilities other than in respect of short term trade finance loans relating to purchases from overseas suppliers as referred to above.

The Group has taken advantage of the exemption available in Financial Report Standard 13 "Derivatives and Other Financial Instruments" to exclude short term debtors and creditors from the disclosures of financial assets and liabilities.

### *Interest rate risk profile of financial liabilities*

The interest rate profile of the Group's financial liabilities as at 31 December 1999 was:

	<i>Floating rate</i> £'000	<i>Fixed rate</i> £'000	<i>Total</i> £'000
<b>Loans and overdrafts:</b>			
Sterling	195	—	195
US Dollar	1,671	—	1,671
Finance leases and hire purchase	—	135	135
	<u>1,866</u>	<u>135</u>	<u>2,001</u>

The above book values represent the fair values of the respective financial liabilities. The floating rate borrowings bear interest at 2 per cent. above LIBOR.

### *Maturity of financial liabilities*

The maturity profile for the above loans and overdrafts is set out in Note 5.16 to the accounts and for the above finance lease and hire purchase liabilities is set out in Note 5.24 to the accounts.

### *Borrowing facilities*

The Group had £804,000 of undrawn floating rate borrowing facilities available at 31 December 1999 in respect of which all conditions precedent had been met at that date of these undrawn facilities, £404,000 relates to a repayment on demand borrowing facility which was renewed on 28 February 2000 and which will be subject to review by the bank by no later than 28 February 2001. The remaining £400,000 of undrawn facilities relate to a three month notice facility provided to John Sydney Limited which was subsequently terminated on the disposal of John Sydney on 15 March 2000.

### *Forward currency contract exposures*

As explained above, the Group's policy is to hedge foreign currency risk using forward currency contracts for foreign currency purchases.

The table below shows the Sterling equivalent of forward currency commitments at 31 December 1999 entered into by the Group to hedge foreign currency purchases and related liabilities:

	1998 £'000	1999 £'000
US Dollars	2,978	4,823
European Currencies	1,530	1,110
Total forward currency commitments	<u>4,508</u>	<u>5,933</u>

The Sterling fair value of the above forward currency commitments valued on the basis of 31 December 1999 exchange spot rates was £5,865,000 (1998: £4,545,000).

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses along with deferred recognised gains and losses on hedging instruments and associated assets and liabilities at 31 December 1999 were as follows:

	<i>Deferred</i>			<i>Unrecognised</i>		
	<i>Gains</i>	<i>Losses</i>	<i>Net</i>	<i>Gains</i>	<i>Losses</i>	<i>Net</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gains at 1 January 1999</b>	22	—	22	15	—	15
Arising in previous years that were recognised in the year	(22)	—	(22)	(15)	—	(15)
Arising in 1999 that were not recognised in the year	—	(31)	(31)	—	(37)	(37)
<b>Losses at 31 December 1999</b>	<u>—</u>	<u>(31)</u>	<u>(31)</u>	<u>—</u>	<u>(37)</u>	<u>(37)</u>

Gains and losses arising in 1999 that were not recognised in the year are all expected to be recognised in 2000.

## 5.24 Financial Commitments

### *Finance leases and hire purchase*

Net obligations under finance leases and hire purchase at 31 December were payable as follows:

	1997 £'000	1998 £'000	1999 £'000
<b>Finance lease and hire purchase obligations falling due:</b>			
Within one year	106	109	75
In the second to fifth years inclusive	99	105	60
	<u>205</u>	<u>214</u>	<u>135</u>

### *Operating leases*

At 31 December the Group had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>			<i>Other</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Operating leases which expire:</b>						
Within one year	73	9	12	58	43	23
In the second to fifth years inclusive	—	—	—	88	97	113
Over five years	227	252	255	—	—	19
	<u>300</u>	<u>261</u>	<u>267</u>	<u>146</u>	<u>140</u>	<u>155</u>

### *Contingent liability*

At 31 December 1999 the Group's subsidiaries had placed committed orders with suppliers to the value of £259,000 (1998: £441,000). These orders were shipped after the year end.

The Company has guaranteed overdrafts of its subsidiaries totalling £562,000 (1998: £226,000).

## **5.25 Pension schemes**

The Company and a number of its trading subsidiaries operate various defined contribution pension schemes for employees under which the relevant company pension commitments are limited to making pension contributions at fixed rates in accordance with the benefit terms of the pension schemes.

Brimley & Co. Limited currently also operates a defined contribution pension scheme for employees. It had previously operated a defined benefits pension scheme up until 30 April 1992 and a number of its present and former employees remain entitled to a preserved pension under this defined benefits scheme. The assets of this defined benefits scheme are held in a separate fund administered by an insurance company and a full actuarial valuation of the fund was undertaken in 1997. The valuation indicated that the past service liabilities of the scheme were approximately £105,000 in excess of the value of the assets and in view of the age profile of the scheme it was recommended that this deficit be funded over a 10 year term by way of equal annual contributions of £16,000 which annual contributions are included in the pension charges disclosed in Note 5.6. In addition a charge of £73,000 was made in the 1998 accounts and a further charge of £42,000 has been made in the 1999 accounts in respect of the estimated outstanding additional net deficit to the scheme. These additional charges have been included in the provisions disclosed in Note 5.17 to the accounts.

### 5.26 Sale of discontinued operations

The sale of the business and certain assets of Stocks Hotel and Country Club was completed in August 1999 and the fixed assets of the Cloisters Wood Sports and Leisure Club licensing operation were sold in January 1999 following expiry of the club's property lease.

Net cash proceeds received in respect of these disposals amounted to £2,412,000 and generated a profit on disposal of £71,000 as highlighted below:

	£'000
<b>Net assets disposed of:</b>	
Fixed assets	2,527
Stock	10
Debtors	127
Creditors	(310)
Finance leases	(13)
	<hr/> 2,341
Profit on disposal before goodwill	71
Satisfied by net cash proceeds less costs	<hr/> <hr/> 2,412

In 1999, the above discontinued operations contributed an inflow of £7,000 to the Group's net cash outflow from operation activities, paid £12,000 in respect of returns on investment and servicing of finance, paid £2,000 in respect of capital expenditure and financial investment and utilised £3,000 for financial activities.

### 5.27 Post balance sheet event

The company announced on 17 February 2000 that it had conditionally agreed to dispose of the business and certain assets and liabilities of John Sydney Limited (the "John Sydney Business") to Bristan Limited for a cash consideration equal to the value, as at completion, of the net assets being sold plus a premium of £291,000. The assets and liabilities disposed of exclude any inter-company balances and bank loans and overdrafts.

Completion of the disposal subsequently took place on 15 March 2000 with the receipt of an initial cash amount of £2,290,000 of which £300,000 was paid into an escrow account pending final agreement of the consideration and completion accounts. The balance of the consideration, if any, or any refund due will be paid when such agreement has been reached.

Further details of the disposal are set out in the circular sent to shareholders on 23 February 2000.



The following pro forma statement of net assets of the Group is after taking into account the disposal of the John Sydney Business. The pro forma statement is provided for illustrative purposes only and because of its nature may not give a true picture of the financial position of Bridgend It is based on the audited consolidated balance sheet of the Group as at 31 December 1999 and adjusted in accordance with the notes set out below to give effect to the disposal of the John Sydney Business as if the transaction had been undertaken at the date of the audited consolidated balance sheet:

	<i>The Group as at 31 December 1999</i>	<i>John Sydney Business disposal adjustment (Note 1a)</i>	<i>Net proceeds of John Sydney Business disposal adjustments (Notes 1 (b)-(d))</i>	<i>Proforma of the Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>				
Tangible assets	531	(182)	—	349
<b>Current assets</b>				
Stocks	4,499	(1,771)	—	2,728
Debtors	4,914	(1,382)	—	3,532
Cash at bank and in hand	213	—	1,472	1,685
	9,626	(3,153)	1,472	7,945
<b>Current liabilities</b>				
Creditors: Borrowings due within one year	(1,941)	23	536	(1,382)
Other amounts due within one year	(4,021)	1,214	—	(2,807)
<b>Net current assets</b>	3,664	(1,916)	2,008	3,756
<b>Total assets less current liabilities</b>	4,195	(2,098)	2,008	4,105
Creditors: Borrowings due after more than one year	(60)	20	—	(40)
Provisions for liabilities and charges	(145)	—	—	(145)
<b>Net assets</b>	3,990	(2,078)	2,008	3,920
Net assets per Ordinary Share	2.8p			2.8p
Net gearing percentage	45 per cent.			Nil

- The pro forma statement of net assets of the Group has been adjusted for:
  - the sale of the net assets, exclusive of amounts owed to Bridgend Group, bank loans and overdrafts, of the John Sydney Business amounting to £2,078,000 at 31 December 1999.
  - the receipt of the gross cash consideration proceeds of £2,128,000 determined as the net assets transferring of £2,078,000 plus a premium of £291,000 less a reduction of £241,000 in respect of estimated fair value adjustment valuation policies agreed with the Purchaser.
  - payment of estimated expenses of £120,000 relating to the disposal of the John Sydney Business.
  - net proceeds of £2,008,000 from the disposal of the John Sydney Business will be used to repay John Sydney's bank borrowings of £536,000 and provide funds for the Group's future development
- Net assets per Ordinary Share at 31 December 1999 is based on the net assets of £3,990,000 related to the Ordinary Shares in issue of 140,154,322; proforma net assets per Ordinary Share is based on the disclosed pro forma net assets of £3,920,000 related to the Ordinary Shares in issue of 140,154,322.
- Net gearing at 31 December 1999 is based on net borrowings of £1,788,000 (borrowings due within one year of £1,941,000 plus due after more than one year of £60,000 less cash at bank and in hand £213,000) related to net assets of £3,990,000; proforma net gearing is nil based on proforma net cash balances of £263,000 (cash at bank and in hand £1,685,000 less borrowings due within one year £1,382,000 less due after more than one year £40,000)
- No adjustment has been made to reflect trading results since 31 December 1999.

## 5.28 Principal trading subsidiaries

The Group's principal trading subsidiaries at 31 December 1999 were as follows:

### Wholesale Distribution:

#### **Kingavon Limited**

Parkside, Duke Street, Ipswich, Suffolk IP3 OAF

Tel: 01473 219131

Car Accessories and D.I.Y. products

#### **Brimley & Co. Limited**

52-62 Brasenose Road, Bootle, Merseyside L20 8HG

Tel: 0151 922 0022

Electrical wholesaling

#### **John Sydney Limited**

3-4 Denbigh Hall, Bletchley, Milton Keynes,

Buckinghamshire MK3 7QT

Tel: 01908 274111

Bathroom and kitchen fittings

### Notes:

1. The issued Ordinary share capital of each company listed above was wholly owned by Bridgend Group PLC.
2. The companies are all registered in England and Wales and operate wholly or mainly in the country of registration.

## 5.29 Related party transactions

The sale of Stocks Hotel and Country Club to Ashdown Forest Golf Hotel Limited in August 1999 was a related party transaction under the Listing Rules of the UK Listing Authority as Kanawa Limited, which is a significant shareholder in the Company, is deemed to be an associate of Ashdown.

### *Consent*

We consent to the inclusion in the AIM admission document dated 12 July 2000 of this report and accept responsibility for this report for the purposes of paragraph 45.1(b)(iii) of Schedule 1 to the Public Offer of Securities Regulations 1995.

Yours faithfully

KPMG Audit Plc

**PART VI**  
**ACCOUNTANTS' REPORT ON HEMSCOTT.NET**



**ARTHUR ANDERSEN**

Arthur Andersen  
20 Old Bailey  
London  
EC4M 7AN

The Directors and Proposed Directors  
(as defined in the AIM admission document)  
Bridgend Group PLC  
68 Great Eastern Street  
London EC2A 3JT

The Directors  
Peel Hunt plc  
62 Threadneedle Street  
London EC2R 8HP

12 July 2000

Dear Sirs and Madam

**hemscott.NET Group plc ("hemscott.NET") and its subsidiaries ("the hemscott.NET Group")**

On 12 July 2000, Bridgend Group PLC entered into a conditional contract to acquire the whole of the issued share capital of hemscott.NET.

We report on the financial information of hemscott.NET and its predecessor entities (as described in the following paragraph). This financial information has been prepared for inclusion in the Class 1 Circular incorporating an AIM Prospectus dated 12 July 2000 of Bridgend Group PLC (the "AIM admission document").

**Basis of preparation**

Until 1 November 1999, the business presently carried on by the hemscott.NET Group (the "hemscott.NET Business") was carried on by HS Financial Publishing Limited, formerly Hemmington Scott Limited ("HSL"), together with its publishing and other activities ("the Publishing Business"), together the "Combined Business". From 1 November 1999 to 4 January 2000 the hemscott.NET Business was carried on by Hemscott Limited (which was subsequently voluntarily liquidated by its shareholders) and thereafter by hemscott.NET Limited, a company incorporated for that purpose on 9 December 1999. On 21 March 2000, hemscott.NET Limited became a wholly owned subsidiary of hemscott.NET Group plc.

The financial information has been prepared in accordance with applicable United Kingdom accounting standards and is based on:

- the audited financial statements of HSL for the years ended 31 March 1998 and 31 March 1999;
- the special purpose accounts of HSL for the period from 1 April 1999 to 4 January 2000;
- the special purpose accounts of Hemscott Limited for the period from 1 November 1999 to 4 January 2000; and
- the audited special purpose accounts of the constituent companies comprising the hemscott.NET Group for the period from 5 January 2000 to 31 March 2000

(together "the Financial Statements"), after making such adjustments as we considered necessary.

Due to the change of ownership and structure at 4 January 2000 and because indirect costs were apportioned between the hemscott.NET Business and the Publishing Business in the earlier periods, as described under the Basis of consolidation in the accounting policies note below, the profit and loss account and cash flow statement of hemscott.NET for the period from 5 January to 31 March 2000 and the balance sheet at 31 March 2000 of hemscott.NET are not directly comparable with those of the previous periods reported on.

Accordingly, the results up to 4 January 2000 in this report should not be regarded as indicative of the future trading performance of the hemscott.NET Group.

## **Responsibility**

The Financial Statements are the responsibility of the directors of the relevant companies who approved their issue.

The Directors and Proposed Directors of Bridgend Group PLC are responsible for the contents of the AIM admission document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the information available, to form an opinion on the financial information and to report our opinion to you.

## **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the United Kingdom Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included an examination of that information previously obtained by us relating to the financial statements and special purpose accounts of HSL for the period from 1 April 1999 to 4 January 2000, the special purpose accounts of Hemscott Limited for the period from 1 November 1999 to 4 January 2000 and our audits of the companies comprising the hemscott.NET Group for the period ended 31 March 2000, and that recorded by the auditors who audited the other financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the hemscott.NET Business, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

## **Going concern**

In forming our opinion we have considered the adequacy of the disclosures set out below under accounting policies concerning the ability of the company to continue in operational existence for the foreseeable future should the proposed Placing and Open Offer and Retail Offer by Bridgend Group PLC and acquisition of hemscott.NET by Bridgend Group PLC not take place. In view of its significance we consider that the uncertainty of the going concern basis should be drawn to your attention, but our opinion is not qualified in this respect.

Satisfactory completion of the proposed Placing and Open Offer and Retail Offer by Bridgend Group PLC and the acquisition of hemscott.NET by Bridgend Group PLC, which is subject to approval by the Shareholders of Bridgend Group PLC, will remove this uncertainty.

## **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM admission document, a true and fair view of:

- the state of affairs of the Combined Business as at 31 March 1998, 31 March 1999 and 4 January 2000 and of its results and cash flows for the periods then ended;
- the operating losses of the hemscott.NET Business for the years ended 31 March 1998 and 1999 and the period from 1 April 1999 to 4 January 2000;
- the state of affairs of the hemscott.NET Group as at 31 March 2000 and its results and cash flows for the period then ended.

## **Consent**

We consent to the inclusion in the AIM admission document dated 12 July 2000 of this report and accept responsibility for this report for the purposes of paragraph 45.1(b)(iii) of Schedule 1 to the Public Offer of Securities Regulations 1995.

## **Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the periods to which these accounts relate.

### *Basis of accounting*

The financial information has been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

### *Going concern*

The financial information has been prepared on a going concern basis, the validity of which depends upon the successful completion of the proposed Placing and Open Offer and Retail Offer by Bridgend Group PLC and the proposed acquisition of hemscott.NET by Bridgend Group PLC upon which the hemscott.NET Group will be reliant for its future funding. This acquisition is subject to approval by the shareholders of Bridgend Group PLC. The directors of hemscott.NET expect that these transactions will be approved and successfully completed.

On this basis the directors of hemscott.NET have adopted the going concern basis of preparing the accounts on which this report is based. If the transaction does not proceed as expected, the directors of hemscott.NET would need to seek alternative sources of funds.

### *Basis of consolidation*

Until 1 November 1999, the business presently carried on by the hemscott.NET Group was carried on by HSL, together with its publishing and other activities. As part of a two stage reorganisation, on 7 December 1999 but with effect from 1 November 1999, the hemscott.NET Business was transferred to Hemscott Limited (now in members' voluntary liquidation) and on 4 January 2000 the hemscott.NET Business was transferred to hemscott.NET Limited, a company incorporated for that purpose on 9 December 1999. On 21 March 2000 hemscott.NET Limited became a wholly owned subsidiary of hemscott.NET Group plc by way of a share for share exchange.

The financial information on the hemscott.NET Group consolidates the accounts of hemscott.NET Group plc and its subsidiaries: hemscott.NET Limited, Hemscott Investment Analysis Limited, Hemmington Scott Limited and Hemscott Luxury Limited.

The profit and loss accounts for the periods ended 4 January 2000 are analysed to show the hemscott.NET Business and the Publishing Business separately.

The balance sheets at 31 March 1998, 31 March 1999 and 4 January 2000 and the cash flows for the periods ended 4 January 2000 relate to HSL, as the assets and liabilities used in the hemscott.NET Business were not separately identifiable and were funded entirely by HSL in those periods.

Up to 4 January 2000, direct costs relating to the hemscott.NET Business were separately identified in the management accounts from which they have been extracted. In the relevant periods, the directors of HSL decided on the basis of allocation of indirect costs to the hemscott.NET Business and the profit and loss accounts are presented on the basis of those allocations.

### *Turnover*

Turnover represents amounts receivable from customers for goods and services provided in the normal course of business, net of VAT and other sales-related taxes. Turnover receivable under contracts covering future periods is deferred and credited to the profit and loss account over the period to which it relates.

### *Intangible assets*

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of ten years. Provision is made for any impairment.

### *Tangible fixed assets*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Short leasehold properties	Over the term of the lease
Fixtures and fittings	Three to twelve years
Computer equipment	Three to four years

### *Investments*

Fixed asset investments are shown at cost less provision for impairment.

### *Stocks – Publishing Business*

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate

### *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

### *Pension costs and other post-retirement benefits*

Pension costs relate to defined contribution schemes. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

### *Leases*

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

## Profit and loss accounts

	Note	HSL Year ended 31 March 1998			HSL Year ended 31 March 1999		
		hemscott.NET Business £'000	Publishing Business £'000	Combined Business £'000	hemscott.NET Business £'000	Publishing Business £'000	Combined Business £'000
Turnover	1	879	4,459	4,790	1,281	5,294	5,934
Cost of sales		(587)	(2,018)	(2,057)	(730)	(2,258)	(2,347)
Gross profit		292	2,441	2,733	551	3,036	3,587
Administrative expenses		(752)	(2,387)	(3,139)	(1,281)	(2,148)	(3,429)
Operating (loss)/ profit		(460)	54	(406)	(730)	888	158
Finance charges (net)	3			(69)			(68)
(Loss)/profit on ordinary activities before and after taxation	4, 15			(475)			90

	Note	HSL Period from 1 April 1999 to 4 January 2000			hemscott.NET Group Period from 5 January 2000 to 31 March 2000
		hemscott.NET Business £'000	Publishing Business £'000	Combined Business £'000	hemscott.NET Business £'000
Turnover	1	1,320	3,342	4,303	852
Cost of sales		(729)	(2,085)	(2,455)	(928)
Gross profit/(loss)		591	1,257	1,848	(76)
Administrative expenses		(2,291)	(1,659)	(3,950)	(2,074)
Operating loss		(1,700)	(402)	(2,102)	(2,150)
Finance charges (net)	3			(119)	—
Loss on ordinary activities before and after taxation	4, 15			(2,221)	(2,150)

There are no recognised gains or losses other than those shown above.

Turnover arose wholly within the United Kingdom.

For the reasons explained in the Basis of preparation above, the results shown in the profit and loss accounts for the years ended 31 March 1998 and 31 March 1999 and the period ended 4 January 2000 should not be regarded as indicative of the future trading performance of the hemscott.NET Business.

Included within turnover and cost of sales for the years ended 31 March 1998 and 1999 and the period ended 4 January 2000 are business sales made by the hemscott.NET Business to the Publishing Business as set out in note 1 to the financial information. Accordingly, the Combined Business turnover and cost of sales figures shown above are adjusted to eliminate this intra-group trade.

The results presented above for the period from 1 April 1999 to 4 January 2000 include the results of HSL for that period together with those of Hemscott Limited for the period from 1 November 1999 to 4 January 2000.

**The accompanying notes are an integral part of these profit and loss accounts.**

## Balance sheets

		<i>hemscott.NET</i>			
		<i>HSL</i>	<i>HSL</i>	<i>HSL</i>	<i>Group</i>
		<i>31 March</i>	<i>31 March</i>	<i>4 January</i>	<i>31 March</i>
		<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>					
Intangible assets	7	—	—	—	2,358
Tangible assets	8	155	386	565	506
Investments	9	19	19	19	—
		<u>174</u>	<u>405</u>	<u>584</u>	<u>2,864</u>
<b>Current assets</b>					
Stocks	10	72	78	73	—
Debtors	11	966	973	915	1,143
Cash at bank and in hand		19	297	202	776
		<u>1,057</u>	<u>1,348</u>	<u>1,190</u>	<u>1,919</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,815)</u>	<u>(3,222)</u>	<u>(4,069)</u>	<u>(3,057)</u>
<b>Net current liabilities</b>		<u>(1,758)</u>	<u>(1,874)</u>	<u>(2,879)</u>	<u>(1,138)</u>
<b>Total assets less current liabilities</b>		<u>(1,584)</u>	<u>(1,469)</u>	<u>(2,295)</u>	<u>1,726</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(692)</u>	<u>(717)</u>	<u>(2,112)</u>	<u>—</u>
		<u>(2,276)</u>	<u>(2,186)</u>	<u>(4,407)</u>	<u>1,726</u>
<b>Capital and reserves</b>					
Share capital – equity	14	500	500	500	1,070
Capital reserve	15	—	—	—	2,806
Profit and loss account	15	<u>(2,776)</u>	<u>(2,686)</u>	<u>(4,907)</u>	<u>(2,150)</u>
<b>Shareholders' funds</b>	16	<u>(2,276)</u>	<u>(2,186)</u>	<u>(4,407)</u>	<u>1,726</u>

For the reasons explained under Basis of preparation above, the assets and liabilities used in the hemscott.NET Business at 31 March 1998, 31 March 1999 and 4 January 2000 were not separately identifiable.

The accompanying notes are an integral part of these balance sheets.



## Cash flow statements

		<i>hemscott.NET</i>			
		<i>HSL</i>		<i>Group</i>	
		<i>Period from</i>		<i>Period from</i>	
		<i>HSL</i>	<i>HSL</i>	<i>1 April</i>	<i>5 January</i>
		<i>Year ended</i>	<i>Year ended</i>	<i>1999 to</i>	<i>2000 to</i>
		<i>31 March</i>	<i>31 March</i>	<i>4 January</i>	<i>31 March</i>
		<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
<i>Notes</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Net cash inflow/(outflow) from operations</b>	17	95	684	395	(1,140)
Returns on investments and servicing of finance	18	(69)	(68)	(119)	—
Capital expenditure	18	(67)	(338)	(371)	(218)
Acquisitions	18	(1)	—	—	—
<b>Net cash (outflow)/inflow before financing</b>		(42)	278	(95)	(1,358)
Financing	18	(8)	—	—	2,134
<b>(Decrease)/increase in cash</b>		<u>(50)</u>	<u>278</u>	<u>(95)</u>	<u>776</u>

For the reasons explained under Basis of preparation above, the cash flows of the hemscott.NET Business for the years ended 31 March 1998 and 1999 and the period ended 4 January 2000 were not separately identifiable.

The accompanying notes are an integral part of these cash flow statements.

## 1. Segment information

	<i>hemscott.NET</i>			
	<i>HSL</i>		<i>Group</i>	
	<i>Period from</i>		<i>Period from</i>	
	<i>HSL</i>	<i>HSL</i>	<i>1 April</i>	<i>5 January</i>
	<i>Year ended</i>	<i>Year ended</i>	<i>1999 to</i>	<i>2000 to</i>
	<i>31 March</i>	<i>31 March</i>	<i>4 January</i>	<i>31 March</i>
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>				
<b>Hemscott Business</b>				
Business sales	879	1,281	1,189	575
Consumer sales	—	—	131	277
	879	1,281	1,320	852
<b>Publishing Business</b>	4,459	5,294	3,342	—
	<u>5,338</u>	<u>6,575</u>	<u>4,662</u>	<u>852</u>

Included within business sales above are the following sales by the hemscott.NET Business to the Publishing Business.

	<i>hemscott.NET</i>			
	<i>HSL</i>		<i>Group</i>	
	<i>Period from</i>		<i>Period from</i>	
	<i>HSL</i>	<i>HSL</i>	<i>1 April</i>	<i>5 January</i>
	<i>Year ended</i>	<i>Year ended</i>	<i>1999 to</i>	<i>2000 to</i>
	<i>31 March</i>	<i>31 March</i>	<i>4 January</i>	<i>31 March</i>
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sales to Publishing Business	<u>548</u>	<u>641</u>	<u>359</u>	<u>125</u>

## 2. Quarterly information

The results of the hemscott.NET Business for the periods from 1 January 1999 to 31 March 2000 may be analysed as follows:

	<i>Quarter ended</i>	<i>Quarter ended</i>	<i>Quarter ended</i>	<i>Quarter ended</i>	<i>Quarter ended</i>
	<i>31 March</i>	<i>30 June</i>	<i>30 September</i>	<i>4 January</i>	<i>31 March</i>
	<i>1999</i>	<i>1999</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Business sales	517	330	417	442	575
Consumer sales	—	—	6	125	277
	517	330	423	567	852
Cost of sales	(169)	(185)	(192)	(352)	(928)
Gross profit/(loss)	348	145	231	215	(76)
Administrative expenses	(357)	(394)	(496)	(1,401)	(2,074)
Operating loss	<u>(9)</u>	<u>(249)</u>	<u>(265)</u>	<u>(1,186)</u>	<u>(2,150)</u>
Finance charges (net)					—
Loss on ordinary activities before and after taxation					<u>(2,150)</u>

### 3. Finance charges (net)

	HSL	HSL	HSL	hemscott.NET Group
	Year ended 31 March 1998 £'000	Year ended 31 March 1999 £'000	Period from 1 April 1999 to 4 January 2000 £'000	Period from 5 January 2000 to 31 March 2000 £'000
<b>Interest receivable</b>				
Other interest receivable and similar income	13	19	10	7
<b>Interest payable</b>				
Bank loans and overdrafts	(2)	(6)	—	—
Other loans	(80)	(81)	(129)	(7)
	(82)	(87)	(129)	(7)
Finance charges (net)	(69)	(68)	(119)	—

### 4. Profit/(loss) on ordinary activities

	HSL	HSL	HSL	hemscott.NET Group
	Year ended 31 March 1998 £'000	Year ended 31 March 1999 £'000	Period from 1 April 1999 to 4 January 2000 £'000	Period from 5 January 2000 to 31 March 2000 £'000
Depreciation	58	109	194	60
Amortisation of goodwill	—	—	—	60
Operating lease rentals – land and buildings	80	127	121	—
Hire of equipment	21	21	16	—
Auditors' remuneration				
– audit fees	23	41	31	10
– non audit fees	—	—	—	12
Provision for loyalty bonuses to employees	—	—	418	—

### 5. Staff costs

	HSL	HSL	HSL	hemscott.NET Group
	Year ended 31 March 1998 £'000	Year ended 31 March 1999 £'000	Period from 1 April 1999 to 4 January 2000 £'000	Period from 5 January 2000 to 31 March 2000 £'000
Wages and salaries	2,180	2,432	2,410	716
Social security costs	200	243	220	77
Other pension costs	19	25	19	6
	2,399	2,700	2,649	799

### Staff numbers

The average number of people, including directors, employed was as follows:

	HSL	HSL	HSL	hemscott.NET Group Period
	Year ended 31 March 1998	Year ended 31 March 1999	Period from 1 April 1999 to 4 January 2000	from 5 January 2000 to 31 March 2000
	Number	Number	Number	Number
Administration	18	23	32	15
Selling and distribution	23	30	32	23
Production	36	42	57	53
	<u>77</u>	<u>95</u>	<u>121</u>	<u>91</u>

### 6. Directors' emoluments

	HSL	HSL	HSL	hemscott.NET Group Period
	Year ended 31 March 1998	Year ended 31 March 1999	Period from 1 April 1999 to 4 January 2000	from 5 January 2000 to 31 March 2000
	£'000	£'000	£'000	£'000
Remuneration	321	404	298	64
Contributions to money purchase pension scheme	<u>19</u>	<u>25</u>	<u>18</u>	<u>—</u>

The above remuneration includes the following in respect of the highest paid director:

	HSL	HSL	HSL	hemscott.NET Group Period
	Year ended 31 March 1998	Year ended 31 March 1999	Period from 1 April 1999 to 4 January 2000	from 5 January 2000 to 31 March 2000
	£'000	£'000	£'000	£'000
Emoluments	85	107	89	50
Contributions to money purchase pension scheme	<u>10</u>	<u>13</u>	<u>—</u>	<u>—</u>
	<u>95</u>	<u>120</u>	<u>89</u>	<u>50</u>

### *Directors' share options*

Aggregate emoluments disclosed above do not include any amounts for the fair value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

<i>Name of director</i>	<i>Number granted</i>	<i>Exercise price</i>
Michael Grade (note 1)	500,000	£1
Rosalyn Wilton (note 2)	5,263,158	£0.196
	5,847,953	£0.396
	6,535,948	£0.596
Kevin O'Byrne (note 3)	2,191,265	£0.136
	2,331,085	£0.227
	803,822	£0.303

#### Notes:

1. The options to Mr. Grade were granted pursuant to an agreement dated 27 March 2000. The options become exercisable in equal tranches on the first, second and third anniversaries of his appointment but terminate on him ceasing to be a director.
2. The options to Mrs. Wilton were granted pursuant to an agreement dated 29 October 1999. The options can be exercised at any time until termination of employment with hemscott.NET under normal circumstances.
3. The options to Mr. O'Byrne were granted under the hemscott.NET 2000 Unapproved Executive Share Option Plan. The options with an exercise price of £0.136 become exercisable in equal tranches on the first, second and third anniversaries of his appointment. The options with exercise prices of £0.227 and £0.303 become exercisable in equal tranches in August 2001, 2002 and 2003.

## **7. Intangible fixed assets**

<i>hemscott.NET Group</i>	<i>Goodwill £'000</i>
<b>Cost</b>	
Additions (see note 21)	2,418
At 31 March 2000	<u>2,418</u>
<b>Amortisation</b>	
Charge for the period	60
At 31 March 2000	<u>60</u>
<b>Net book value</b>	
At 31 March 2000	<u>2,358</u>

## 8. Tangible fixed assets

<i>HSL</i>	<i>Short leasehold land and buildings £'000</i>	<i>Fixtures, fittings and computer equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 April 1997	56	548	604
Additions	—	67	67
<b>At 31 March 1998</b>	<b>56</b>	<b>615</b>	<b>671</b>
Additions	67	276	343
Disposals	—	(26)	(26)
<b>At 31 March 1999</b>	<b>123</b>	<b>865</b>	<b>988</b>
Additions	7	364	371
<b>At 4 January 2000</b>	<b>130</b>	<b>1,229</b>	<b>1,359</b>
	<i>Short leasehold land and buildings £'000</i>	<i>Fixtures, fittings and computer equipment £'000</i>	<i>Total £'000</i>
<b>Depreciation</b>			
At 1 April 1997	33	425	458
Charge for the year	4	54	58
<b>At 31 March 1998</b>	<b>37</b>	<b>479</b>	<b>516</b>
Charge for the year	9	100	109
Disposals	—	(23)	(23)
<b>At 31 March 1999</b>	<b>46</b>	<b>556</b>	<b>602</b>
Charge for the year	2	190	192
<b>At 4 January 2000</b>	<b>48</b>	<b>746</b>	<b>794</b>
<b>Net book value</b>			
At 1 April 1997	23	123	146
<b>At 31 March 1998</b>	<b>19</b>	<b>136</b>	<b>155</b>
<b>At 31 March 1999</b>	<b>77</b>	<b>309</b>	<b>386</b>
<b>At 4 January 2000</b>	<b>82</b>	<b>483</b>	<b>565</b>
<i>hemscott.NET Group</i>		<i>Computer equipment £'000</i>	
<b>Cost</b>			
Transfer from HSL			582
Additions			218
<b>At 31 March 2000</b>			<b>800</b>
<b>Depreciation</b>			
Transfer from HSL			234
Charge for the period			60
<b>At 31 March 2000</b>			<b>294</b>
<b>Net book value</b>			
<b>At 31 March 2000</b>			<b>506</b>

## 9. Investments

	31 March 1998 £'000	31 March 1999 £'000	4 January 2000 £'000
<i>HSL</i>			
<b>Cost and net book value</b>			
Beginning and end of period	19	19	19

### *Associated undertakings*

HSL owns 50 per cent. of the issued share capital of Discover How Limited, a company registered in England and Wales.

### HSL and hemscott.NET Group

<i>Subsidiary undertakings</i>	<i>Place of incorporation</i>	<i>Principal activity</i>	<i>Share capital</i>	<i>Held by HSL</i>	<i>Held by hemscott.NET</i>
Investor News Limited	England and Wales	Publishing	£1,000 ordinary	100%	—
Earnings Guide Limited	England and Wales	Dormant	£149,253 ordinary	100%	—
Hemmington Scott Typesetting Limited	England and Wales	Dormant	£2 ordinary	100%	—
The Euro Company Guide Limited	England and Wales	Dormant	£2 ordinary	100%	—
Treasury Management International Limited	England and Wales	Dormant	£2 ordinary	100%	—
HS Legal Publishing Limited	England and Wales	Dormant	£2 ordinary	100%	—
Hemscott Investment Analysis Limited	England and Wales	Dormant	£10,000 ordinary	—	100%
hemscott.NET Limited	England and Wales	Provision of financial data	£419,704 ordinary	—	100%
Hemmington Scott Limited (Note (1))	England and Wales	Dormant	£1 ordinary	—	100%
Hemscott Luxury Limited	England and Wales	Dormant	£1 ordinary	—	100%

- (1) On 31 January 2000, HSL changed its name to HS Financial Publishing Limited. Also on 31 January 2000, RBCO311 Limited changed its name to Hemmington Scott Limited and it is this new company which is currently a member of the hemscott.NET Group.
- (2) All subsidiaries were incorporated in England and Wales and are wholly owned. All subsidiaries are owned directly by hemscott.NET Group plc other than Hemscott Investment Analysis Limited, which is directly owned by hemscott.NET Limited. The only trading subsidiary at 31 March 2000 was hemscott.NET Limited whose principal activity is that of the provision of investment and business information over the internet.

## 10. Stock

	HSL	HSL	hemscott.NET	
	31 March	31 March	HSL	Group
	1998	1999	4 January	31 March
	£'000	£'000	2000	2000
	£'000	£'000	£'000	£'000
Raw materials	72	78	73	—

## 11. Debtors

	HSL	HSL	hemscott.NET	
	31 March	31 March	HSL	Group
	1998	1999	4 January	31 March
	1998	1999	2000	2000
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	743	847	701	554
Amounts owed by group undertakings	73	19	—	—
Amounts owed by HSL	—	—	—	71
Other debtors	23	17	39	45
Prepayments and accrued income	98	61	175	473
	937	944	915	1,143
<b>Amounts falling due after more than one year:</b>				
Other debtors	29	29	—	—
	966	973	915	1,143

## 12. Creditors: amounts falling due within one year

	HSL	HSL	hemscott.NET	
	31 March	31 March	HSL	Group
	1998	1999	4 January	31 March
	1998	1999	2000	2000
	£'000	£'000	£'000	£'000
Trade creditors	386	480	251	721
Other taxes and social security	176	213	163	115
Other creditors	2	25	83	200
Accruals and deferred income	2,251	2,504	3,572	2,021
	2,815	3,222	4,069	3,057

## 13. Creditors: amounts falling due after more than one year

	HSL	HSL	hemscott.NET	
	31 March	31 March	HSL	Group
	1998	1999	4 January	31 March
	1998	1999	2000	2000
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	615	637	2,070	—
Other creditors	77	80	42	—
	692	717	2,112	—



#### 14. Share capital

	31 March 1998 £'000	31 March 1999 £'000	4 January 2000 £'000
<i>HSL</i>			
<b>Authorised</b>			
Equity			
500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>500</u>
Non-equity			
250,000 Preference shares of £1 each	<u>250</u>	<u>250</u>	<u>250</u>
<b>Allotted and fully paid</b>			
Equity			
500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>500</u>
			31 March 2000 £'000
<i>hemscott.NET Group</i>			
<b>Authorised</b>			
200,000,000 ordinary shares of 1p each			<u>2,000</u>
<b>Allotted and fully paid</b>			
107,040,404 ordinary shares of 1p each			<u>1,070</u>

hemscott.NET Group's authorised share capital on incorporation was £2,000,000 divided into 200,000,000 ordinary shares of 1p each, two of which were issued to the subscribers of the Memorandum of Association, the subscription price being left outstanding.

On 21 March 2000 the hemscott.NET Group issued 107,040,402 new shares of 1p each credited as fully paid up to the then shareholders in hemscott.NET Limited as the consideration for the transfer of their shares in hemscott.NET Limited to hemscott.NET Group. The two subscribers' shares also formed part of that consideration and were credited as fully paid up.

Options have been granted under the hemscott.NET 2000 Unapproved Executive Share Option Plan or, to the directors (as set out in note 6 above), to subscribe for ordinary shares of the company as follows:

<i>Number of ordinary shares under option</i>	<i>Exercise price £</i>	<i>First date of exercise</i>
730,422	0.136	March 2001
730,422	0.136	March 2002
730,421	0.136	March 2003
1,387,444	0.136	August 2001
1,387,444	0.136	August 2002
1,387,441	0.136	August 2003
5,263,158	0.196	Current
2,441,186	0.227	August 2001
2,441,185	0.227	August 2002
2,441,186	0.227	August 2003
1,071,764	0.303	August 2001
1,071,764	0.303	August 2002
1,071,760	0.303	August 2003
5,847,953	0.396	Current
6,535,948	0.596	Current
166,667	1.000	March 2001
166,667	1.000	March 2002
166,666	1.000	March 2003

## 15. Reserves

	<i>Year ended 31 March 1998 £'000</i>	<i>Year ended 31 March 1999 £'000</i>	<i>Period from 1 April 1999 to 4 January 2000 £'000</i>
<b>HSL</b>			
<b>Profit and loss account</b>			
Balance at beginning of period	(2,301)	(2,776)	(2,686)
Profit/(loss) for period	(475)	90	(2,221)
<b>Balance at end of period</b>	<u>(2,776)</u>	<u>(2,686)</u>	<u>(4,907)</u>
			<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
<b>hemscott.NET Group</b>			
<b>Profit and loss account</b>			
Loss for period			(2,150)
<b>Balance at end of period</b>			<u>(2,150)</u>
			<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
<b>Capital reserve</b>			
Arising on consolidation			2,806
<b>Balance at end of period</b>			<u>2,806</u>

## 16. Reconciliation of movement in shareholders' funds

	<i>Year ended 31 March 1998 £'000</i>	<i>Year ended 31 March 1999 £'000</i>	<i>Period from 1 April 1999 to 4 January 2000 £'000</i>
<b>HSL</b>			
(Loss)/profit for the period	(475)	90	(2,221)
Opening shareholders' funds	(1,801)	(2,276)	(2,186)
Closing shareholders' funds	<u>(2,276)</u>	<u>(2,186)</u>	<u>(4,407)</u>
			<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
<b>hemscott.NET Group</b>			
Loss for the period			(2,150)
Shares issued			1,070
Capital reserve arising on consolidation			2,806
Closing shareholders' funds			<u>1,726</u>

## 17. Reconciliation of operating loss to net cash flows from operating activities

	<i>HSL</i>	<i>HSL</i>	<i>HSL</i>	<i>hemscott.NET Group</i>
	<i>Year ended 31 March 1998 £'000</i>	<i>Year ended 31 March 1999 £'000</i>	<i>Period from 1 April 1999 to 4 January 2000 £'000</i>	<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
Operating (loss)/profit	(406)	158	(2,102)	(2,150)
Depreciation and amortisation	58	109	192	120
Loss on disposal of fixed assets	—	(2)	—	—
Decrease/(increase) in stocks	17	(6)	5	—
(Increase)/decrease in debtors	(235)	(7)	58	(580)
Increase in creditors	661	432	2,242	1,470
Net cash inflow/(outflow) from operating activities	<u>95</u>	<u>684</u>	<u>395</u>	<u>(1,140)</u>

## 18. Analysis of cash flows

	<i>HSL</i>	<i>HSL</i>	<i>HSL</i>	<i>hemscott.NET Group</i>
	<i>Year ended 31 March 1998 £'000</i>	<i>Year ended 31 March 1999 £'000</i>	<i>Period from 1 April 1999 to 4 January 2000 £'000</i>	<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
<b>Returns on investments and servicing of finance</b>				
Interest received	13	19	10	7
Interest paid	(80)	(81)	(129)	(7)
Interest element of finance leases	(2)	(6)	—	—
<b>Net cash (outflow)</b>	<u>(69)</u>	<u>(68)</u>	<u>(119)</u>	<u>—</u>
<b>Capital expenditure</b>				
Purchase of tangible fixed assets	(67)	(343)	(371)	(218)
Sale of tangible fixed assets	—	5	—	—
<b>Net cash (outflow)</b>	<u>(67)</u>	<u>(338)</u>	<u>(371)</u>	<u>(218)</u>
<b>Acquisitions</b>				
Investment in subsidiaries	(1)	—	—	—
<b>Net cash (outflow)</b>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Financing</b>				
Proceeds of issue of shares by hemscott.NET Limited	—	—	—	3,484
Repayment of loans	(8)	—	—	(1,350)
<b>Net cash (outflow)/inflow</b>	<u>(8)</u>	<u>—</u>	<u>—</u>	<u>2,134</u>

## 19. Reconciliation of net cash flow to movement in net debt

	HSL	HSL	HSL	hemscott.NET Group
	Year ended 31 March 1998 £'000	Year ended 31 March 1999 £'000	Period from 1 April 1999 to 4 January 2000 £'000	Period from 5 January 2000 to 31 March 2000 £'000
(Decrease)/increase in cash	(50)	278	(95)	776
Cash inflow from increase in debt	8	—	—	—
Movement in net debt in period	(42)	278	(95)	776
Net cash at beginning of period	61	19	297	—
Net cash at end of period	19	297	202	776

## 20. Analysis of net debt

	Cash at bank £'000	Finance leases £'000	Loans due within 1 year £'000	Total £'000
<b>HSL</b>				
Balance at 1 April 1997	69	(8)	—	61
Cash flows	(50)	8	—	(42)
Balance at 31 March 1998	19	—	—	19
Cash flows	278	—	—	278
Balance at 31 March 1999	297	—	—	297
Cash flows	(95)	—	—	(95)
Balance at 5 January 2000	202	—	—	202
<b>hemscott.NET Group</b>				
Acquired with subsidiary	—	—	(1,350)	(1,350)
Cash flows	776	—	1,350	2,126
Balance at 31 March 2000	776	—	—	776

## 21. Acquisitions and disposals

### (a) Acquisition of the trade and net liabilities of the hemscott.NET Business of HSL

On 9 December 1999 hemscott.NET Limited was incorporated. On 4 January 2000 this company purchased the trade and net liabilities of the hemscott.NET Business from Hemscott Limited in consideration of the allotment by hemscott.NET Limited of 3,920,990 ordinary shares of 10p each, which was the fair value of the shares in hemscott.NET Limited. The contribution of the hemscott.NET Business to the results of HSL has been shown as the hemscott.NET Business in the profit and loss account up to 4 January 2000.

The following table sets out the book values which were also considered to be the fair values of the identifiable assets and liabilities acquired by hemscott.NET Limited.

	£'000
<b>Assets acquired</b>	
Fixed assets	348
<b>Current assets</b>	
Debtors	563
<b>Total assets</b>	911
<b>Creditors</b>	(2,937)
<b>Net liabilities</b>	(2,026)
<b>Satisfied by:</b>	
3,920,990 ordinary shares of 10p each	(392)
<b>Goodwill (see note 7)</b>	(2,418)

*(b) hemscott.NET Group reorganisation*

On 26 January 2000 each ordinary share of 10p in hemscott.NET Limited was subdivided into 25.5037630824 ordinary shares of 0.392099p each, resulting in an issued share capital of 100,000,000 ordinary shares of 0.392099p each. Subsequently, on 27 January 2000 and 28 February 2000, an aggregate of 7,040,404 additional ordinary shares were allotted pursuant to the subscription agreement referred to in note 27. On 7 March 2000 hemscott.NET Group plc was incorporated. On 21 March 2000 hemscott.NET Limited became a wholly owned subsidiary of hemscott.NET Group plc. This reorganisation was accounted for as a merger. This change was effected by an agreement of that date under which all the shareholders in hemscott.NET Limited exchanged their shares for shares in hemscott.NET Group plc on the basis of one new share in hemscott.NET Group plc for each share in hemscott.NET Limited. hemscott.NET Group plc therefore issued 107,040,402 new ordinary shares of 1p each and procured the transfer of the two subscribers' shares credited as fully paid up.

## 22. Capital commitments

At 31 March 2000, the hemscott.NET Group had no capital commitments.

## 23. Contingent liabilities

At 31 March 2000, the hemscott.NET Group had no contingent liabilities.

## 24. Operating lease commitments

HSL and the group have annual operating lease commitments which expire as follows:

	<i>Land and buildings</i>			<i>hemscott.NET</i>
	<i>HSL</i>	<i>HSL</i>	<i>HSL</i>	<i>Group</i>
	<i>31 March</i>	<i>31 March</i>	<i>4 January</i>	<i>31 March</i>
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Between two and five years	108	162	172	—

## 25. Pension scheme

HSL makes contributions to the personal pension schemes of two employees.

The total contributions paid in the period were as follows:

	<i>Year ended 31 March 1998 £'000</i>	<i>Year ended 31 March 1999 £'000</i>	<i>Period from 1 April 1999 to 4 January 2000 £'000</i>
Contributions paid in the period	<u>19</u>	<u>25</u>	<u>18</u>

The hemscott.NET Group makes contributions to the personal pension schemes of two employees.

The total contributions paid in the period were as follows:

	<i>Period from 5 January 2000 to 31 March 2000 £'000</i>
Contributions paid in the period	<u>6</u>

## 26. Related party transactions

HSL has taken advantage of the exemptions available under Financial Reporting Standard No.8 (Related Party Disclosures) not to disclose transactions with other members of the group headed by Hemscott Limited.

Co-operation Retirement Benefit Fund (L) Limited and Nazca Limited Partnership, both shareholders of hemscott.NET Group plc, provided a facility to hemscott.NET Limited by undertaking to subscribe for up to 10,101,010 new shares in hemscott.NET Limited at a price of 49.5p per share. On 27 January 2000 £2,000,000 was subscribed for and, on 28 February 2000, £1,485,000 was subscribed for. The subscription agreement contemplated that the parties' obligations would continue with the holding company of hemscott.NET Limited once that company was in place and accordingly, on 12 April 2000, as referred to in note 28, the final £1,515,000 was subscribed for in hemscott.NET Group plc. On 2 June 2000, CRBF provided hemscott.NET with a loan of £700,000 and on 27 June 2000 and 10 July 2000, further loans of £750,000 and £600,000 respectively, all loans at ten per cent. interest per annum out of a short-term facility totalling £3.0 million made available on 1 June 2000.

HSL and the hemscott.NET Group have common shareholders and Charles Jillings is currently a director of both hemscott.NET Group and HS Publishing Group Limited, the parent undertaking of HSL. The hemscott.NET Group has the following arrangements with HSL:

- The hemscott.NET Group has a non-exclusive licence with HSL for HSL to access the database for the purposes of its publications for an annual fee of £500,000. The agreement can be terminated by either party giving 12 months notice.
- The hemscott.NET Group provides HSL with IT hosting and support for an annual fee of £60,000. The agreement terminates on 31 December 2000 or by giving 60 days notice on hemscott.NET's moving premises.
- For the period from 4 January 2000 to 31 May 2000, HSL has agreed to provide the hemscott.NET Group with certain administrative services for a monthly fee of £22,900.

- (d) HSL has granted the hemscott.NET Group the right to share its premises for six months from 7 December 1999 for a monthly fee of £18,000. On 30 June 2000, the period of the licence in respect of around 4,630 square feet was further extended to 31 August 2000 in consideration of an additional payment which (including the associated costs of occupation) is not expected to exceed £25,000.
- (e) The hemscott.NET Group has granted HSL a royalty free licence to continue to use the name "Hemmington Scott Limited", and the name "Hemscott" as part of the title of and in connection with the Company Guide, for 12 months from 7 December 1999.
- (f) HSL has appointed the hemscott.NET Group as its non-exclusive agent for the hosting and online distribution of REFS Online.

## **27. Ultimate controlling party**

The immediate holding company of hemscott.NET Group plc at 31 March 2000 was Co-operation Retirement Benefit Fund (L) Limited, which is a private investment fund company registered in Labuan, Malaysia. The ultimate controlling party of CRBF and hence the hemscott.NET Group are the trustees of a family trust of which the Saville family are beneficiaries. Quantum Partners L.D.C. is economically interested in CRBF and is, as a result, deemed to be indirectly interested in 80 per cent. of CRBF's holding in hemscott.NET Group

The immediate holding company of HSL during the period to 4 January 2000 was Hemscott Limited, a company registered in England and Wales. The ultimate controlling party are the trustees of a family trust of which the Saville family are beneficiaries.

## **28. Subsequent events**

On 12 April 2000, hemscott.NET issued 3,060,606 new shares of 1p each for cash at 49.5p per share under a subscription agreement dated 27 January 2000.

Yours faithfully

Arthur Andersen  
*Chartered Accountants*

## PART VII

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following pro forma statement of net assets of Bridgend is after taking into account the disposal of the business and certain assets and liabilities of John Sydney Limited (the "John Sydney Business"), which was detailed in a circular issued to shareholders on 23 February 2000 and subsequently completed on 15 March 2000, the Acquisition and the proposed Placing, Open Offer and Retail Offer.

The pro forma statement is provided for illustrative purposes only and because of its nature may not give a true picture of the financial position of Bridgend. It is based on the audited consolidated balance sheet of the Group as at 31 December 1999 and adjusted in accordance with the notes set out below to give effect to the disposal of the John Sydney Business and the Proposals as if these transactions had been undertaken at 31 December 1999.

#### PRO FORMA STATEMENT OF NET ASSETS

	<i>Bridgend Group as at 31 December 1999 £'000</i>	<i>John Sydney Business disposal adjustment (Note 1) £'000</i>	<i>Pro forma of the Bridgend Group £'000</i>	<i>hemscott.NET Group as at 31 March 2000 (Note 2(a)) £'000</i>	<i>Other adjustments (Note 2(b)) £'000</i>	<i>Businesses held for resale (Note 2(c)) £'000</i>	<i>Pro forma of the Enlarged Group £'000</i>
<b>Fixed assets</b>							
Intangible assets	—	—	—	2,358	(267)	—	2,091
Tangible assets	531	(182)	349	506	—	(325)	530
Investments	—	—	—	—	—	—	—
	<u>531</u>	<u>(182)</u>	<u>349</u>	<u>2,864</u>	<u>(267)</u>	<u>(325)</u>	<u>2,621</u>
<b>Current assets</b>							
Stocks	4,499	(1,771)	2,728	—	—	(2,728)	—
Debtors	4,914	(1,382)	3,532	1,143	—	(3,378)	1,297
Investments – businesses for resale	—	—	—	—	—	2,502	2,502
Cash at bank and in hand	213	1,472	1,685	776	17,215	81	19,757
	<u>9,626</u>	<u>(1,681)</u>	<u>7,945</u>	<u>1,919</u>	<u>17,215</u>	<u>(3,523)</u>	<u>23,556</u>
<b>Current liabilities</b>							
Creditors: Borrowings due within one year	(1,941)	559	(1,382)	—	—	1,382	—
Other amounts due within one year	(4,021)	1,214	(2,807)	(3,057)	—	2,426	(3,438)
Net current assets/(liabilities)	<u>3,664</u>	<u>92</u>	<u>3,756</u>	<u>(1,138)</u>	<u>17,215</u>	<u>285</u>	<u>20,118</u>
Total assets less current liabilities	4,195	(90)	4,105	1,726	16,948	(40)	22,739
Creditors: Borrowings due after more than one year	(60)	20	(40)	—	—	40	—
Provisions for liabilities and charges	(145)	—	(145)	—	—	—	(145)
Net assets/(liabilities)	<u>3,990</u>	<u>(70)</u>	<u>3,920</u>	<u>1,726</u>	<u>16,948</u>	<u>—</u>	<u>22,594</u>



## Notes

1. The pro forma statement of net assets of the existing Group has been adjusted for the following items which are separately analysed in the pro forma statement of net assets included in note 5.27 of the financial information on Bridgend as set out in Part V of this circular:
  - (a) the sale of the net assets, exclusive of amounts owed to Bridgend Group, bank loans and overdrafts, of the John Sydney Business amounting to £2,078,000 at 31 December 1999;
  - (b) the receipt of the gross cash consideration proceeds of £2,128,000 determined as the net assets transferring of £2,078,000 plus a premium of £291,000 less a reduction of £241,000 in respect of estimated fair value adjustment valuation policies agreed with the purchaser;
  - (c) payment of estimated expenses of £120,000 relating to the disposal of the John Sydney Business; and
  - (d) net proceeds of £2,008,000 from the disposal of the John Sydney Business will be used to repay John Sydney Limited's bank borrowings of £536,000 and provide funds for the Bridgend Group's future development.
2. The pro forma statement of net assets of the Enlarged Group has been further adjusted for:
  - (a) inclusion of the net assets of hemscott.NET at 31 March 2000, which financial information is based on the balance sheet of hemscott.NET at 31 March 2000 as shown in the Accountant's Report on hemscott.NET Group in Part VI of this circular;
  - (b) other adjustments reflecting:
    - (i) proceeds of the additional £1,515,000 of share capital actually issued by hemscott.NET for cash in April 2000 as detailed in note 28 in the Accountant's Report on hemscott.NET Group in Part VI of this circular;
    - (ii) the recognition of negative goodwill arising on the proposed reverse acquisition of the share capital of Bridgend by hemscott.NET for £3,653,000 representing Bridgend's share capital of 140.1 million shares at the placing price of 2.25p per share plus expenses of £500,000 relating to the proposed acquisition less the book value of the Bridgend net assets acquired;
    - (iii) gross proceeds of £18,000,000 from the proposed issue of 800,000,000 Ordinary Shares at 2.25p per share for cash; and
    - (iv) payment of estimated expenses of £500,000 relating to the proposed acquisition and of £1,800,000 relating to the proposed share issue for cash.

The adjustments in paragraph (b) above can be summarised as follows:

### Negative goodwill on acquisition

	£'000
Cost of acquisition	3,153
Acquisition related expenses	500
Total consideration	<u>3,653</u>
Less book value of Bridgend net assets acquired:	
Businesses held for resale	(2,502)
Other net assets	(1,418)
	<u>(3,920)</u>
Negative goodwill arising on reverse acquisition	<u>(267)</u>

### Net cash proceeds

Proceeds of additional shares issued by hemscott.NET	1,515
Proceeds of additional shares issued by Bridgend	18,000
	<u>19,515</u>
Less estimated:	
Acquisition related expenses	(500)
Share issue related expenses	(1,800)
	<u>17,215</u>

- (c) the reclassification of certain of the assets and liabilities of Bridgend's trading subsidiaries as businesses held for resale in accordance with FRS7. For the purposes of this pro forma statement of net assets, these are shown at their net book value at 31 December 1999.
3. No adjustment has been made to reflect the trading results of Bridgend subsequent to 31 December 1999 or the trading results of hemscott.NET Group subsequent to 31 March 2000.
4. The hemscott.NET Shareholders will become the major shareholders of the enlarged group and, therefore, the substance of the transaction is that hemscott.NET Group plc will acquire Bridgend Group PLC (i.e. there will be a reverse acquisition).

Under the specific requirements of the Companies Act it would be necessary for Bridgend's consolidated accounts to follow the legal form of the business combination. This would portray the combination as an acquisition of hemscott.NET Group plc by Bridgend Group PLC. In the opinion of the Directors and Proposed Directors this would fail to give a true and fair view of the substance of the group and, accordingly, reverse acquisition accounting will be adopted as the basis of consolidation. The pro forma statement has been prepared on this basis.

The following is the text of a letter received from KPMG Audit Plc and Arthur Andersen, both Chartered Accountants and Registered Auditors, in relation to the illustrative pro forma statement of net assets set out in Part VII of this document:



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom



ARTHUR ANDERSEN

Arthur Andersen  
20 Old Bailey  
London  
EC4M 7AN

“The Directors and Proposed Directors (as defined in the AIM admission document)

Bridgend Group PLC  
68 Great Eastern Street  
London EC2A 3JT

The Directors  
Peel Hunt plc  
62 Threadneedle Street  
London EC2R 8HP

12 July 2000

Dear Sirs and Madam,

**Bridgend Group PLC**

We report on the pro forma net assets statement set out in Part VII of the class 1 circular incorporating a prospectus (referred to as the “AIM admission document”) dated 12 July 2000 which has been prepared, for illustrative purposes only, to provide information about how the proposed Acquisition of hemscott.NET, the Placing, the Open Offer and the Retail Offer might have affected the financial information presented.

*Responsibilities*

It is the responsibility solely of the Directors and Proposed Directors of Bridgend Group PLC to prepare the pro forma net assets statement in accordance with paragraph 12.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma net assets statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma net assets statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

*Basis of opinion*

We conducted our work in accordance with Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma net assets statement with the Directors and Proposed Directors of Bridgend Group PLC.

*Opinion*

In our opinion:

- (a) the pro forma net assets statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of Bridgend Group PLC; and
- (c) the adjustments are appropriate for the purposes of the pro forma net assets statement as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

KPMG Audit Plc  
8 Salisbury Square  
London EC4Y 8BB

Arthur Andersen  
20 Old Bailey  
London EC4M 7AN”

## PART VIII

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 The Directors and the Proposed Directors, whose names appear in paragraph 2.1 and 2.2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The directors of CRBF (whose names appear in paragraph 14.2 below), Peter Scott and Jill Meiring (being the three major shareholders in hemscott.NET) accept responsibility for the information contained in this document respectively relating to each of them. To the best of the knowledge and the belief of the directors of CRBF, Peter Scott and Jill Meiring (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors and Proposed Directors

- 2.1 The Directors and their respective functions are:

Christopher Graham Stainforth	<i>Chairman</i>
Michael Anthony Bretherton	<i>Finance Director</i>
Clive Peter Whiley	<i>Corporate Development Director</i>
Charles David Owen Jillings	<i>Non-Executive Director</i>

The business address of all the Directors is 68 Great Eastern Street, London EC2A 3JT.

It is intended that Michael Bretherton and Clive Whiley will resign from the Board on Completion of the Proposals and Christopher Stainforth will cease to be Chairman, but he will remain as a non-executive Director.

- 2.2 The Proposed Directors are and their respective functions are expected to be:

Michael Ian Grade, CBE	<i>Non-Executive Chairman</i>
Rosalyn Susan Wilton	<i>Chief Executive Officer</i>
Kevin O'Byrne	<i>Chief Financial Officer</i>
Winston Fletcher	<i>Non-Executive Director</i>

The business address of all of the Proposed Directors is 2nd Floor, Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8TY.

#### 3. The Company

- 3.1 The Company was incorporated in England and Wales on 18 December 1888 under the Companies Acts 1862 to 1886 as a company limited by shares and re-registered on 11 February 1982 as a public limited company under the Companies Acts 1948 to 1980. The liability of the members of the Company is limited. The principal legislation under which the Company operates is the Act and the regulations made under the Act. The Company is registered in England and Wales with number 27883 and its registered office is at 68 Great Eastern Street, London EC2A 3JT which is also its principal place of business in the United Kingdom and the business address of the Directors.

- 3.2 The Company is the holding company of the Group, of which the principal subsidiaries (both of which are wholly-owned) are:

Kingavon Limited (Car Accessories and D.I.Y. products)  
Parkside, Duke Street, Ipswich, Suffolk IP3 0AF

Brimley & Co. Limited (Electrical Wholesaling)  
52-62 Brasenose Road, Bootle, Merseyside L20 8HG

#### **4. Share capital**

- 4.1 On incorporation, the authorised share capital of the Company was £250,000 divided into 250,000 shares of £1 each. As at 31 December 1999, the authorised share capital of the Company was £5,571,500 divided into 152,000,000 Ordinary Shares of 1p each and 45,016,667 deferred shares of 9p each, of which 140,154,322 Ordinary Shares and 40,044,092 deferred shares had been issued and allotted, fully paid or credited as fully paid.
- 4.2 In the three years preceding the date of this document, the following changes have occurred to the authorised and issued share capital of the Company:
- 4.2.1 Following the passing of a special resolution of the Company on 28 July 1999, 1,800,000 deferred convertible shares of 1p each were redeemed at par.
- 4.2.2 On 28 July 1999, each existing issued and unissued ordinary share of 10p in the capital of the Company was sub-divided into one Ordinary Share of 1p and one new deferred share of 9p and every nine existing authorised but unissued deferred convertible shares of 1p was converted and consolidated into one new deferred share of 9p.
- 4.2.3 On 28 July 1999, the authorised share capital of the Company was increased from £4,500,000 to £5,571,500 by the creation of 108,950,000 Ordinary Shares.
- 4.2.4 On 28 July 1999, 100,110,230 Ordinary Shares were issued by way of a placing and open offer to shareholders on the basis of 5 Ordinary Shares for every 2 Ordinary Shares held.
- 4.3 Save as disclosed in paragraph 4.2 of this Part VIII, in the three years preceding the date of this document, there has been no change in the issued share capital of the Company and no material change in the amount of the issued share capital of any of its subsidiaries and no discounts or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any such capital.
- 4.4 At the Annual General Meeting of the Company held on 31 May 2000 the Directors were empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash as if section 89 of the Act did not apply to any such allotment, such power being limited to an allotment of equity securities in connection with a rights issue or other pro rata offer in favour of the holders of equity securities in proportion (as nearly as may be) to the respective number of securities held by them and otherwise to the allotment of equity securities for cash up to an aggregate nominal amount of £70,077.
- 4.5 The table below shows the authorised and issued share capital of the Company at 11 July 2000 (being the latest practicable date prior to the publication of this document) and as it will be immediately following Admission (assuming that none of the options currently outstanding over the share capital of the Company under the Share Option Schemes is exercised):

As at 11 July 2000

	<i>Ordinary Shares</i>		<i>Deferred Shares</i>	
	<i>Nominal</i>		<i>Nominal</i>	
	<i>value</i>	<i>Number</i>	<i>value</i>	<i>Number</i>
Authorised:	£1,520,000	152,000,000	£4,051,500	45,016,667
Issued:	£1,401,543	140,154,322	£3,604,000	40,044,092

Following Admission

	<i>Ordinary Shares</i>		<i>Deferred Shares</i>	
	<i>Nominal</i>		<i>Nominal</i>	
	<i>value</i>	<i>Number</i>	<i>value</i>	<i>Number</i>
Authorised:	£24,818,705	2,481,870,500	£4,051,500	45,016,667
Issued:	£16,068,210	1,606,820,989	£3,604,000	40,044,092

- 4.6 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of allotments of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company except to the extent disapplied by the authority referred to in paragraph 4.4 above.
- 4.7 At the Extraordinary General Meeting, resolutions will be proposed:
- 4.7.1 to approve the Acquisition;
- 4.7.2 to amend the Bridgend Group PLC 1999 Executive Share Option Scheme; and
- 4.7.3 subject to approval of the resolution referred to in 4.7.1 above, (i) to increase the authorised share capital of the Company from £5,571,500 to £28,870,205 by the creation of 2,329,870,500 additional Ordinary Shares, (ii) generally and unconditionally authorise the Board to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal value of £21,502,438 such authority to expire on 31 May 2005, and (iii) to empower the Board, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) pursuant to the authority described in paragraph 4.7.3(ii) above for cash as if section 89 of the Act did not apply to any such allotment, such power being limited to allotments in connection with the Placing, the Open Offer, the Retail Offer and the Proposed Directors Options and the allotment of equity securities in connection with a rights issue or other *pro rata* offer in favour of the holders of equity securities in proportion (as nearly as may be) to the respective number of securities held by them and otherwise to the allotment of equity securities for cash up to an aggregate nominal amount of £803,410; and
- 4.7.4 subject to approval of the resolution referred in 4.7.1 above, to change the Company's name.
- 4.8 Bridgend has agreed, at Completion, to grant to directors and employees of hemscott.NET up to the number of options set out below, on terms that such options may only be exercised following Completion on or after the first date as set out below:

<i>Number of Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>First date of exercise</i>
118,523,725	0.0225p	Admission
4,867,181	0.0225p	March 2001
26,039,418	0.0225p	August 2001
4,867,181	0.0225p	March 2002
26,039,418	0.0225p	August 2002
4,867,181	0.0225p	March 2003
26,039,418	0.0225p	August 2003
35,205,943	0.0375p	August 2001
35,205,943	0.0375p	August 2002
35,205,942	0.0375p	August 2003
8,111,969	0.05p	August 2001
8,111,968	0.05p	August 2002
8,111,968	0.05p	August 2003

The above numbers of options also include those proposed to be granted to employees of hemscott.NET (including Mrs Wilton and Mr O'Byrne) under the approved part of the Bridgend 1999 Share Option Scheme.

The above numbers of options include those being granted to Michael Grade and Rosalyn Wilton in consideration for their releasing options granted to them by agreements with hemscott.NET, those being granted to the holders of options (including Kevin O'Byrne) under the hemscott.NET 2000 Unapproved Executive Share Option Plan in consideration for their release of options under that plan (and the replacement options will continue to be governed by the rules of that plan) and those being granted to Winston Fletcher. Further details of the arrangements with Mr Grade, Mrs Wilton, Mr O'Byrne and Mr Fletcher are set out in paragraph 5.3 of Part VIII of this document.

- 4.9 Save as set out in paragraph 4.8 above, paragraph 4.10 below and in connection with the Share Option Schemes and the option agreements referred to in paragraph 5.3 below, no capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.
- 4.10 As at 11 July 2000 (the latest practicable date prior to the publication of this document), the following options to subscribe for Ordinary Shares under the provisions of the Share Option Schemes were outstanding:

<i>Number of shares</i>	<i>Exercise price</i>	<i>Period during which options exercisable</i>
600,000	10p	27/5/00 to 27/5/07

These options will be subject to adjustment in accordance with the provisions of the Bridgend Executive Share Option Scheme 1985.

- 4.11 Immediately following Admission and following the issue of the Consideration Shares and excluding Ordinary Shares reserved for issue under the Share Option Schemes and under the options referred to in paragraphs 4.8 and 4.10 above, the authorised but unissued share capital will be £9,198,126, of which the Directors will be authorised to allot £6,835,771 (representing approximately 42.54 per cent. of the Company's then issued ordinary share capital) pursuant to the authority referred to in paragraph 4.7.3 above.
- 4.12 Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. The Existing Ordinary Shares, the Consideration Shares and the New Ordinary Shares will be in registered form, may be held in uncertificated form and are or will be eligible for settlement within CREST.

- 4.13 The closing middle market quotations for an Existing Ordinary Share as derived from the London Stock Exchange Daily Official List on the first dealing day in each of the six months prior to 16 May 2000 (being the last full day of dealings on which dealings took place before the Existing Ordinary Shares were suspended) and on 17 May 2000 (being the dealing day on which dealings were suspended) were:

<i>Date</i>	<i>Share Price</i>
1 December 1999	3.75p
5 January 2000	4.5p
1 February 2000	4.0p
1 March 2000	7.5p
3 April 2000	5.5p
2 May 2000	4.5p
16 May 2000	5.5p
17 May 2000	5.75p

## 5. Disclosure of interests and other dealings

- 5.1 The interests of the Directors and the Proposed Directors (all of which are unless otherwise stated beneficial) in the issued ordinary share capital of the Company as at 11 July 2000 (being the latest practicable date prior to the publication of this document) and immediately following Admission, such interests being those which are required to be notified by each Director to the Company, or would be so required to be notified by the Proposed Directors, under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director or Proposed Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director or Proposed Director are and will be as follows:

<i>Director or Proposed Director</i>	<i>Number of Ordinary Shares at 11 July 2000</i>	<i>Percentage of issued ordinary share capital at 11 July 2000</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
C. G. Stainforth	1,668,877	1.19	3,337,754	0.21
M. A. Bretherton	888,097	0.63	1,776,194	0.11
C. D. O. Jillings	—	—	1,513,761	0.09
C. P. Whiley	683,776	0.49	1,367,552	0.09
M. I. Grade	—	—	—	—
R. S. Wilton	—	—	1,111,111	0.07
K. O'Byrne	—	—	444,444	0.03
W. Fletcher	—	—	—	—

1. C.D.O. Jillings is a director of The Analysis and Research Company Limited which acts as a consultant to Kanawa and to CRBF, whose respective shareholdings are shown in paragraph 5.4 below.
2. The interest of C.D.O. Jillings includes 756,881 Ordinary Shares held by the trustee of a trust in which Mr Jillings and his family are interested.
3. The figures following Admission assume that the Directors will take up or procure their entitlements under the Open Offer are taken up in full in respect of the Existing Ordinary Shares in which they are beneficially interested which they have irrevocably committed to do.
4. The figures assume that no Ordinary Shares are issued to a Director under the Retail Offer and that no options are exercised prior to Admission.
5. The figures assume that R. S. Wilton and K. O'Byrne respectively subscribe for 1,111,111 and 444,444 Ordinary Shares under the Placing which they have agreed to do.

- 5.2 Options over Ordinary Shares have been granted to Directors under the provisions of the Share Option Schemes as follows:

<i>Name</i>	<i>Number of Ordinary Shares over which options held</i>	<i>Consideration for grant</i>	<i>Date of grant</i>	<i>Exercise price</i>	<i>Final date of exercise</i>
M. A. Bretherton	300,000	£1	27/5/1997	10p	27/5/2007
C. P. Whiley	300,000	£1	27/5/1997	10p	27/5/2007

These options will be subject to adjustment in accordance with the provisions of the Bridgend Executive Share Option Scheme 1985.

- 5.3 The options over Ordinary Shares to which the members of the New Board will be entitled following completion of the Acquisition are set out below:

- (a) Michael Grade: in consideration of his release of an option over ordinary shares in hemscott.NET, Bridgend has agreed to grant Mr Grade an option over 3,407,027 ordinary shares exercisable at 2.25p per share;

- (b) Rosalyn Wilton: in consideration of her release of certain options over ordinary shares in hemscott.NET, Bridgend has agreed to grant Mrs Wilton options over the number of Ordinary Shares set out in column (1) below exercisable at the prices set opposite in column (2) below:

<i>(1)</i> <i>Ordinary Shares</i>	<i>(2)</i> <i>Exercise price</i>
118,523,725	2.25p
19,468,724	3.75p
4,867,181	5.0p

- (c) Kevin O'Byrne: in substitution for his options over ordinary shares in hemscott.NET under the terms of the hemscott.NET 2000 Unapproved Executive Share Option Plan, Bridgend will grant new options to Mr O'Byrne over the number of Ordinary Shares set out in column (1) below exercisable at the price set opposite in column (2) below:

<i>(1)</i> <i>Ordinary Shares</i>	<i>(2)</i> <i>Exercise price</i>
14,601,543	2.25p
14,114,825	3.75p
4,867,181	5.0p

One third of the options over the 14,601,543 shares exercisable at 2.25p per share become exercisable on 21 March 2001, with a further third becoming exercisable on 21 March 2002 and the balance on 21 March 2003. One third of the other options mentioned above will become exercisable on the first anniversary of Admission, a further third on the second anniversary and the balance on the third anniversary of Admission.

- (d) Winston Fletcher: Bridgend has agreed to grant to Mr Fletcher an option over 1,703,513 Ordinary Shares exercisable at 2.25p per share.

The options to be granted to Mr Grade, Mrs Wilton (save as mentioned below) and Mr Fletcher are granted under the agreements summarised in paragraph 8.1.13, 8.1.14 and 8.1.15 respectively of Part VIII of this document. The options to Mr O'Byrne will, save as mentioned below, continue to be governed by the hemscott.NET Unapproved Share Option Scheme 2000 (a summary of the



main features of which is given in paragraph 10.4 of Part VIII of this document). Of the options over Ordinary Shares exercisable at 2.25p per share, it is proposed that options over 1,333,333 of those Ordinary Shares in each case be granted to Mrs Wilton and Mr O'Byrne at Completion under the approved part of the Bridgend 1999 Share Option Scheme.

- 5.4 As at 11 July 2000 (the latest practicable date prior to publication of this document) the Company has been notified under Section 198 of the Act or is otherwise aware of the following persons who, other than Directors, are directly or indirectly interested in 3 per cent. or more of the Company's issued share capital and the Directors and the Proposed Directors are aware of the following persons who will immediately following Admission (assuming that Ordinary Shares are acquired under the Offer; see note 1 below) be interested in 3 per cent. or more of the Company's issued share capital:

<i>Shareholder</i>	<i>Number of Ordinary Shares at 11 July 2000</i>	<i>Percentage of issued ordinary share capital at 11 July 2000</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued share capital following Admission</i>
CRBF	—	—	662,675,617	41.24
J. Meiring	—	—	114,116,979	7.10
P. N. Scott	—	—	111,846,646	6.96
Kanawa	52,090,532	37.2	52,090,532	3.24
Marlborough UK Equity Growth Fund	8,347,500	6.0	16,695,000	1.04

1. The figures following Admission assume, where relevant, that Qualifying Shareholders will take up or procure their entitlements under the Open Offer are taken up in full in respect of the Existing Ordinary Shares in which they are interested.
2. The figure for CRBF following Admission assumes that CRBF subscribes for 266,666,667 Placing Shares pursuant to the Placing, subject to clawback, and that there is no clawback, to satisfy valid applications under the Retail Offer and the Open Offer.
3. P.N. Scott and J. Meiring have in order to secure loans made to each of them by CRBF each given security to CRBF over respectively 10,295,304 and 10,294,995 shares in Bridgend to be allotted to them under the Acquisition. F. Horack has also, in order to secure a loan made to him by CRBF, given security to CRBF over the 10,294,995 shares to be allotted to him under the Acquisition. CRBF will thus additionally be interested in a further 30,885,294 shares in Bridgend (representing 1.92 per cent. of the issued share capital following Admission).
4. Note (2) above states that the figures in the above table assume that there is no clawback of the 266,666,667 Placing Shares placed with CRBF pursuant to the Placing subject to clawback to satisfy valid applications under the Retail Offer and the Open Offer which would necessarily mean that Kanawa would not be able to take up its entitlements under the Open Offer in respect of the Existing Ordinary Shares in which it is beneficially interested. Kanawa has not indicated an intention either to take up or not take up its entitlement under the Open Offer, however, on Admission, Kanawa and CRBF which are both controlled by the trustees of a family trust of which the Saville family are the beneficiaries, will control not more than 44.48 per cent. of the issued share capital.

- 5.5 Save as disclosed in paragraph 5.4, the Directors and the Proposed Directors are not aware of any person who, directly or indirectly, is interested in 3 per cent. or more of the Company's issued ordinary share capital or of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 5.6 During the disclosure period, the only dealings for value in Existing Ordinary Shares by the Directors and their immediate families were:

<i>Date</i>	<i>Transaction</i>	<i>No. of Existing Ordinary Shares</i>	<i>Price per share</i>
22 June 1999	Purchase*	8,760,942	2p

\*Kanawa purchased the Existing Ordinary Shares held by Co-operation Retirement Benefit Fund Limited, a concert party under the City Code, which is controlled by trustees of a trust of which the Saville family are the beneficiaries.

- 5.7 Save for the shares issued on the establishment of hemscott.NET on 21 March 2000 under the agreement described in paragraph 8.3.3 of Part VIII and save for the subscription on 12 April 2000 at 49.5p per hemscott.NET share of 1,818,000 new shares by CRBF and of 1,242,606 new shares by Nazca Limited Partnership under the subscription agreement described in paragraph 8.3.4 of Part VIII, during the disclosure period, the only dealings for value in hemscott.NET shares by the hemscott.NET Shareholders were:

<i>Party</i>	<i>Settlement Date</i>	<i>Transaction</i>	<i>Number of shares in hemscott.NET</i>	<i>Price per hemscott.NET share</i>
Mr P.N. Scott	27/3/00	Sale	125,000	50p
Mr A. Wheatley	27/3/00	Purchase	125,000	50p
Mr P.N. Scott	31/3/00	Sale	250,000	25p
Mr C.D.O. Jillings	31/3/00	Purchase	125,000	25p
The Cardinal Trust	31/3/00	Purchase	125,000	25p

- 5.8 Save for C. D. O. Jillings, no other Director has an interest in the share capital of hemscott.NET.
- 5.9 Save as disclosed in paragraph 5.6, during the disclosure period, there were no dealings for value in Existing Ordinary Shares by any of the hemscott.NET Shareholders or any member of the CRBF Concert Party or any of their respective associates or persons acting in concert with them.
- 5.10 No options over Existing Ordinary Shares have been granted to Directors during the disclosure period. Following completion of the capital reorganisation and fundraising by Bridgend in July 1999, the options in existence were, conditional upon Inland Revenue approval, adjusted in accordance with the provisions of the relevant Share Option Scheme to the options set out in paragraph 4.10 above.
- 5.11 Save as disclosed in this paragraph 5, and pursuant to the Acquisition Agreement, none of the hemscott.NET Shareholders or any member of the CRBF Concert Party, nor any of the directors of the hemscott.NET Shareholders nor any member of their immediate family or related trusts, nor any of their connected persons is interested in and no person acting in concert with any of the hemscott.NET Shareholders or any member of the CRBF Concert Party owns or controls, in either case directly or indirectly, any relevant securities nor has any such person dealt for value therein during the disclosure period.
- 5.12 Save as disclosed in this paragraph 5, neither the Company, nor any of the Directors, nor any member of their immediate families or related trusts, nor any of their connected persons is interested in, owns or controls, in either case directly or indirectly, any relevant securities nor has any such person dealt for value therein during the disclosure period.
- 5.13 Save as disclosed in this paragraph 5, no bank, stockbroker, financial or other professional adviser to any of the hemscott.NET Shareholders or any member of the CRBF Concert Party or to any associate of the hemscott.NET Shareholders or any member of the CRBF Concert Party (other than an exempt market-maker), nor any person controlling, controlled by or under the same control as any such adviser nor any pension fund of any of the hemscott.NET Shareholders or any member of the CRBF Concert Party or any of their respective subsidiaries nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with any of the hemscott.NET Shareholders or any member of the CRBF Concert Party owns or controls or is interested directly or indirectly in any relevant securities, neither has any such person dealt for value therein during the disclosure period.
- 5.14 Save as disclosed in this paragraph 5, no bank, stockbroker, financial or other professional adviser to the Company or to any subsidiary or associated company of the Company (other than an exempt market-maker), nor any person controlling, controlled by or under the same control as any such adviser nor any pension fund of the Company or any of its subsidiaries nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund

managers) connected with the Company owns or controls or is interested directly or indirectly in any relevant securities, neither has any such person dealt for value therein during the disclosure period.

5.15 In this paragraph 5 of Part VIII:

5.15.1 references to an “associate” includes:

- (a) subsidiaries and associated companies of the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party (as appropriate) and companies of which any such subsidiaries or associated companies are associated companies;
- (b) the banks, financial and other professional advisers (including stockbrokers) to the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party (as appropriate) or any company referred to in (a) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
- (c) the Directors or the directors of any of the hemscott.NET Shareholders or any member of the CRBF Concert Party (as appropriate) together in each case with members of their immediate families or related trusts or the connected persons or the directors of any company referred to in (a) above;
- (d) the pension funds of any company referred to in (a) above;
- (e) in relation to the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party, an investment company, unit trust, or other person whose investments an associate (as otherwise defined or referred to in this paragraph 5.15.1) of the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party respectively manages on a discretionary basis, in respect of the relevant investment accounts; and
- (f) a person who owns or controls 5 per cent. or more of any relevant securities as defined in paragraph 5.15.4 below issued by the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party including a person who as a result of the transaction owns or controls 5 per cent. or more of such relevant securities;

5.15.2 ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding gives, or aggregate holdings give(s), de facto control;

5.15.3 reference to a “bank” does not include a bank whose sole relationship with the Company or any of the hemscott.NET Shareholders or any member of the CRBF Concert Party (as appropriate) or any company referred to in paragraph 5.15.1(a) above is the provision of normal commercial banking services or such activities in connection with the Proposals as confirming that cash is available, handling acceptances and other registration work;

5.15.4 “relevant securities” means Existing Ordinary Shares, shares in the capital of hemscott.NET and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to any of the foregoing;

5.15.5 “disclosure period” means the period commencing on 17 May 1999 (the date 12 months prior to the announcement that Bridgend was in talks relating to an acquisition which might amount to a reverse takeover) and ending on 11 July 2000 (the latest practicable date before the posting of this document).

**6. Directors' and Proposed Directors' service agreements and other matters relating to the Directors**

- 6.1 There have been no changes to the service agreements of the Directors made available for inspection at the Annual General Meeting of the Company held on 31 May 2000 during the period of six months preceding the date of this document. Other than those service agreements, which are summarised below, there are no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries other than those expiring or determinable by the employing company without payment of compensation, other than statutory compensation, within one year.

The terms of the Directors' service agreements or appointment letters are as follows:

- (a) M.A. Bretherton entered into a service agreement with the Company dated 10 November 1988 which together with subsequent amendments provides for basic remuneration of £90,000 per annum together with pension contributions equivalent to 15 per cent. of his annual salary, medical and health insurance and provision of a fully expensed company car and other benefits. The contract of service in respect of M.A. Bretherton can be terminated by either the Director or the Company giving to the other not less than two years' notice in writing.
- (b) *The contract of service in respect of C.P. Whiley dated 27 May 1997, which is for an annual fee of £25,000, can be terminated by either party giving the other not less than two years' notice in writing and also provides for the provision of a fully expensed company car. Additionally a consultancy agreement dated 14 May 1997 with Y-LEE Limited, a company of which C.P. Whiley is a director, has been entered into by the Company. The principal terms of this contract are that Y-LEE Limited agrees to provide the services of C.P. Whiley to act as Corporate Development Director of Bridgend. Bridgend undertakes to pay Y-LEE Limited an annual fee of £72,800. The contracts between the two companies require notice of two years for termination.*
- (c) The Company has entered into a consultancy agreement with Denfurlong (Consultants) Limited dated 22 June 1999, a company of which C.G. Stainforth is a director, the principal terms of which are that Denfurlong (Consultants) Limited agrees to provide the services of C.G. Stainforth to act as non-executive chairman of Bridgend and Bridgend undertakes to pay Denfurlong (Consultants) Limited an annual fee of £30,000. The agreement is for a rolling period of two years' notice on either side. Conditional upon Completion, C.G. Stainforth will step down as Chairman but will remain as a non-executive director of Bridgend on the same terms.
- (d) The Company has entered into an agreement with The Analysis and Research Company Limited ("ARC"), a company of which C.D.O. Jillings is a director, the principal terms of which are that ARC agrees to provide the services of a non-executive director of Bridgend and Bridgend undertakes to pay ARC an annual fee of £10,000. The agreement is for an indefinite period and is terminable by one year's notice on either side. hemscott.NET has also entered into an agreement with ARC under which ARC provides the services of Mr Jillings as a non-executive director of hemscott.NET for an annual fee of £25,000. Bridgend and ARC have agreed, conditional on Completion, to enter into a letter of appointment replacing the existing agreement through which ARC will provide the services of Mr Jillings as a non-executive director of Bridgend alone for an annual fee of £18,000 for an indefinite period terminable by notice by either party or if Mr Jillings ceases to be a director.

- 6.2 The following table summarises the principal features of the service agreements which have been entered into with the executive Proposed Directors, conditional upon Completion:

<i>Director</i>	<i>Date of agreement</i>	<i>Annual salary</i>	<i>Period of notice</i>
Rosalyn Wilton	12 July 2000	£200,000	6 months
Kevin O'Byrne	12 July 2000	£120,000	6 months

The Company may not give such notice to Mrs Wilton before 1 November 2000, the anniversary of the commencement of her employment with hemscott.NET Group.

- 6.3 The executive Proposed Directors will be entitled to private health insurance cover and all the Directors are entitled to benefit from directors' and officers' liability insurance arranged by the Company. The Company will be under no obligation to provide, and will not provide, any other benefits (whether for pensions, the provision of motor cars, private telephone or otherwise) to the Proposed Directors.
- 6.4 The Company and Michael Grade have agreed, conditional on Completion, to enter into a letter of appointment whereby Mr Grade will receive an annual fee of £35,000. In addition, he will be granted an option over 3,407,027 Ordinary Shares exercisable at a price of 2.25p per share as described in paragraph 5.3 above.
- 6.5 The Company and Winston Fletcher have agreed, conditional on Completion, to enter into a letter of appointment whereby Mr Fletcher will receive an annual fee of £18,000. In addition, he will be granted an option over 1,703,513 Ordinary Shares exercisable at a price of 2.25p per share as described in paragraph 5.3 above.
- 6.6 The aggregate remuneration paid, pension fund contributions made and benefits in kind granted to the Directors by any member of the Group during the year ended 31 December 1999 was £519,400. Under the arrangements in force at the date of this document, and taking into account the proposed remuneration and benefits in kind of the Proposed Directors, the aggregate remuneration to be paid and benefits in kind to be granted to the Directors and Proposed Directors, are estimated to amount to £708,094 during the year ending 31 December 2000. Save for those of M.A. Bretherton, C.P. Whiley and C.D.O. Jillings referred to in paragraph 6.1 and of the Proposed Directors in paragraphs 6.2, 6.4 and 6.5 above, the total emoluments receivable by the Directors and the Proposed Directors will not be varied in consequence of the Proposals.
- 6.7 C.D.O. Jillings is a director of HS Publishing Group Limited, the holding company of HS Financial Publishing Limited, the previous owner of the business of hemscott.NET. hemscott.NET and HS Financial Publishing Limited are bound by the various agreements summarised in paragraphs 8.3.1 and 8.3.2 of this Part VIII which may be significant to the business of the Enlarged Group.
- 6.8 No loans are outstanding from any member of the Group to any of the Directors or Proposed Directors and there are no guarantees provided by any member of the Group for their benefit.
- 6.9 Save as set out below, no directorships of any company, other than the Company or hemscott.NET, have been held or occupied over the previous five years by any of the Directors or the Proposed Directors, nor over that period has any of the Directors or the Proposed Directors been a partner in a partnership:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Christopher Graham Stainforth	Ermgassen & Co Limited Denfurlong (Consultants) Limited web-angel Services Limited web-angel plc	Guinness Mahon & Co. Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Michael Anthony Bretherton	Cosmic Parts Limited Cosmic Automotive Limited Cobrite Marketing Limited Branyl Limited Preludeward Limited Cosmic Car Accessories Limited Bridgend Leisure Limited Bridgend Leisure Holdings Limited Preludeward Limited Bridgend Processors Limited Stocks Hotel & Country Club Limited Kingavon China Limited Brimley & Co. Limited H. Woodward & Son Public Limited Company Woodington Plc Kingavon Limited	London & Home Counties Limited (Dissolved) Scanbase Investments Limited (Dissolved) Cloisters Wood Leisure Club Limited The Imperial Hotel (Cork) Limited Woodwards Contract Hire Limited (dissolved) Stocks at Birmingham Limited (dissolved)
Clive Peter Whiley	Y-LEE Limited China Venture Capital Management Limited First China Venture Capital Limited Kingavon Limited Kingavon China Limited Brimley & Co. Limited Stocks Hotel & Country Club Limited Bridgend Leisure Limited Preludeward Limited Bridgend Leisure Holdings Limited Cosmic Parts Limited Branyl Limited Cobrite Marketing Limited Cosmic Car Accessories Limited Woodington Plc	Stocks at Birmingham Limited (dissolved) Woodwards Contract Hire Limited (dissolved)

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Charles David Owen Jillings	Bishops Life Limited Harlequin Football Club Limited Premier Health Group Plc Sterling Publishing Group Plc Stentor Plc The Analysis and Research Company Limited Cardinal Management Limited (formerly Custodial Asset Management Limited) Winsland Enterprises Limited HS Publishing Group Limited Buy and Sell Net Limited Ridge Court Property Limited Stocks Property Holdings Limited Stocks Management Limited Harlequin Estates (Twickenham) Limited	The Phoenix Timber Group Plc First Call Holdings Limited Ashdown Forest Golf Hotel Limited Hill Samuel Bank Limited Watercoolers Group Limited RPT Management Services Plc Caird Group Plc Hemscott Limited (in members' voluntary liquidation) Cardinal International Limited (formerly Vax International Limited) Ashdown Golf Management Limited Watercoolers (Rentals) Limited Palm Water Company Limited Nursing Management Services (Australia) Pty Limited Nursing Management Services (UK) Limited A F Water Technology Limited Northumbrian Spring Limited Watercoolers Limited
Michael Ian Grade	The Gate Theatre (Dublin) Limited Charlton Athletic plc The New Millennium Experience Company Limited Octopus Publishing Group Limited Pinewood Studios Holdings Limited Camelot Group plc Digital Octopus Limited NFTS Foundation The Thirty Club of London Limited	Cities in Schools Channel Four Television Company Limited The Open College Limited 124 Facilities Limited Channel Four International Limited VCI plc Delfont Mackintosh Theatres Limited The Virgin Healthcare Foundation Society of Stars (Events) Limited Society of Stars Charingworth Productions Limited Lamda Limited Esporta Interco The Jewish Film Foundation Searchcall Limited Vitalblade Limited ISL Leisure Limited First Leisure Corporation plc SOS (Cerebral Palsy) Limited The SOS (Cerebral Palsy) Charity The Lifelong Learning Foundation
Rosalyn Susan Wilton	hemscott.NET Limited Hemscott Luxury Limited Hemmington Scott Limited	Reuters Transaction Services Limited Scottish Widows' Fund and Life Assurance Society

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Kevin O'Byrne	hemscott.NET Limited Hemmington Scott Limited	A & R Scott Limited Gatorade Limited Quaker Europe Limited Quaker Oats Limited Quaker Subco Limited Quaker Trading Limited The Irish Charitable Trust Limited
Winston Fletcher	Advertising Standards Board of Finance Limited Barnardo's BJK&E Media Limited Bray Leino Limited Brook Lapping Limited Open College of the Arts The Royal Institution Bozell (Holdings) Limited Bozell UK Limited Cyclops Productions Limited Brian Lapping Associates Limited	BJK&E Holdings Limited Charles Barker Limited Delaney Fletcher Bozell Limited Independent Production Group Limited Advertising Standards Authority Limited CENTEC (Central London Training Enterprise Council) The Institute of Practitioners in Advertising The Advertising Association True North Holdings (United Kingdom) Limited Charles Barker Healthcare Limited Charles Barker Publishing Limited Charles Barker plc Charles Barker ESOP Trustees Limited Slam Limited Business Opinions Limited The Independent Multimedia Company Limited Delaney Lund Knox Warren and Partners Limited

- 6.10 In July 1989, Christopher Stainforth was criticised in the Department of Trade and Industry report into County Natwest Limited regarding Blue Arrow plc.
- 6.11 Rosalyn Wilton was a director of the investment bank Drexel Burnham Lambert Holdings Limited and Drexel Burnham Lambert Securities Limited until 12 April 1990 ("DBL" and "DBLS" respectively). In February 1990 their ultimate holding company, based in the US, Drexel Burnham Lambert Group Inc., filed a petition under chapter 11 of the US Federal Bankruptcy Code. This was followed by DBL, the holding company of Drexel Burnham Lambert Group Inc's UK interests, being made the subject of an administration order in the UK. Subsequently, DBL went into a creditors' voluntary liquidation and was liquidated and the sworn amount of deficiency as regards unsecured creditors was £13.4 million. The majority of creditors (in number, but not in value) were paid in full, an amount totalling £20.8 million. There remained a small group of approximately 12 larger creditors and, as part of a restructuring solution, which included other Drexel group entities in the UK (of which Ms Wilton was not a director), they agreed to waive sufficient of their claims so as to achieve no net deficiency in any of the Drexel group UK insolvencies. These larger creditors recovered approximately 80 per cent. of the amount originally due to them. There was, therefore, no net deficiency in DBL. DBLS was also placed under an administration order, but since it was found to be wholly solvent, it was placed into members' voluntary liquidation, with all creditors being paid in full and surplus realisations being repaid to its shareholder, DBL.



- 6.12 Charles Jillings was a director of Hemscott Limited, a company placed into members' voluntary liquidation as part of the reorganisation of the Hemscott business as described in paragraph 8.3 of Part VIII of this document.
- 6.13 Save as disclosed in paragraphs 6.10, 6.11 and 6.12 above, no Director or Proposed Director has been publicly criticised by statutory or regulatory authorities (including recognised professional bodies), has any unspent convictions nor has been a director of a company (wherever incorporated) or a partner in a partnership at any time which has gone into or been involved in administration, company or partnership voluntary arrangements, any composition or arrangement with creditors generally or any class of creditors, receiverships, compulsory liquidations or creditors' voluntary liquidations where he was a partner or director at the time or in the preceding twelve months, nor has any of them ever been personally bankrupt, in an individual voluntary arrangement with creditors.
- 6.14 No Director or Proposed Director has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **7. Memorandum and Articles of Association of the Company**

The following summarises some of the rights of holders of the Company's shares:

### **7.1 *Memorandum of Association***

The principal objects for which the Company is established are set out in Clause 4(A) of the Memorandum of Association and are, *inter alia*, to carry on business as an investment company and to purchase, subscribe for or otherwise acquire such stocks, shares, debentures, debenture stocks, bonds, obligations or securities of any government, state or authority or of any public or private company, corporate or unincorporate.

### **7.2 *Articles of Association***

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

#### **7.2.1 *Dividend rights***

- (a) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board. The Company, upon recommendation of the Board, may by ordinary resolution declare and pay dividends by the distribution of specific assets.
- (b) In so far as the profits of the Company justify such payments, the Board of Directors may as appropriate pay fixed dividends and interim dividends to the members.
- (c) The Board may retain dividends payable in respect of shares on which the Company has a lien and may use the same to satisfy in full or in part the debt or obligation giving rise to the lien and may retain dividends under the provisions relating to the transmission of shares. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall be forfeited and shall revert to the Company.
- (d) The Board may with the sanction of an ordinary resolution passed by the members in general meeting offer the members the right to elect to receive shares in whole or in part instead of cash dividend.

#### **7.2.2 *Winding up***

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon those assets and may determine how such assets shall be divided

between members or classes of members. The liquidator may, with like authority, vest the assets in trustees or trusts in favour of the members and the liquidation of the Company may be closed and the Company dissolved but no contributory shall be compelled to accept any shares or other property in respect of which there is any liability attaching and the liquidator may make any provision sanctioned by the Act.

#### 7.2.3 *Votes of members*

- (a) Subject to any rights or restrictions as to voting under which any share may be issued every member who is present in person may have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.
- (b) A person entitled to more than one vote on a poll need not use all his votes, or cast all the votes he uses in the same way.
- (c) Unless the Board determines otherwise, no member shall be entitled to be present or to vote either personally or by proxy at any general meeting, unless all calls or other sums payable in respect of the shares have been paid.

#### 7.2.4 *Transmission of shares*

Any person becoming entitled to a share by reason of the death or bankruptcy of a member or otherwise by operation of law shall be entitled to the same dividends and other advantages save that he shall not be entitled to receive notices of or to attend or vote at general meetings of the Company or to exercise any rights and privileges until he shall have been registered as the holder of the share. The Board may give notice at any time that he must become registered or transfer the share and if the notice is not complied with within 60 days the Board may thereafter withhold payment of all dividends and other monies payable in respect of the share until the requirements of the notice have been complied with.

#### 7.2.5 *Forfeiture of shares*

- (a) If a member, or person entitled to the share by transmission, fails to pay any call or instalment of a call on the day appointed for payment thereof the Board may at any time thereafter whilst such amount remains unpaid serve a notice requiring payment of the sum together with interest accrued by the Company as a result of the non-payment. The notice shall name a further day (not less than 14 days from the date of the notice) and shall state that in the event of non-payment the shares will be liable to be forfeited. If the requirements of the notice are not complied with then, by resolution of the Board, the shares are forfeited together with any dividends or other monies due but not paid.
- (b) A person whose shares are forfeited shall cease to be a member in respect of those shares but shall remain liable to pay to the Company all sums which were payable to the Company in respect of the shares with interest thereon at the rate of 2 per cent. per annum above the base lending rate from time to time of Lloyds Bank plc from the date of forfeiture until payment.

#### 7.2.6 *Transfer of shares*

- (a) All transfers of shares may be made by an instrument of transfer in the usual common form or in such other form or by such other method (whether by electronic means or otherwise) as may be permitted by law and as the Board may approve. The Board may impose restrictions on any transfer of any share that is not a fully paid share. Additionally it may decline to register any transfer unless an appropriate instrument of transfer duly stamped is lodged with the Company accompanied by the certificate for the shares to which it relates or where the transfer is effected by some permitted means other than an instrument of transfer the instruction for transfer in a form and authenticated in the manner approved by

the Board is produced to the Company together with such evidence as the Board may reasonably require to show the right of the transferor to make the transfer and that all stamp duty and all other transfer taxes (if any) payable in respect of the transfer have been paid, the instrument of transfer or other permitted form of instruction for transfer is in respect of only one class of share and where there is a transfer to joint holders the number of joint holders to whom the share is to be transferred does not exceed four.

- (b) Apart from the foregoing, the Articles of Association of the Company contain no restrictions on the free transferability of fully paid Ordinary Shares which are in registered form.

#### 7.2.7 Variation of rights

- (a) Subject to the provisions of the Act, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time be varied, abrogated or affected with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To any such separate general meeting all the provisions of the Articles relating to general meetings of the Company shall apply *mutatis mutandis* but subject to the provisions of section 127 of the Act.
- (b) The rights conferred upon the holders of any shares of any class shall not unless otherwise expressly provided in the rights attaching thereto be deemed to be varied, abrogated or affected by the creation or issue of further shares ranking *pari passu* therewith.
- (c) The Company may from time to time in general meeting increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe; such new shares shall be subject to all the provisions of the Articles.
- (d) Subject to the provisions of the Act, the Company may by resolution increase the capital, direct that the new shares or any of them shall be offered in the first instance to all the holders for the time being of the shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provisions as to the issue of the new shares.
- (e) The Company may by special resolution subject to any confirmation or consent required by law reduce its authorised and issued share capital or any capital redemption reserve or any share premium account in any manner.
- (f) Subject to the provisions of the Act and the Articles and to any confirmation or consent required by law, the Company may from time to time purchase its own shares provided that if there are in issue any convertible shares of the Company then no purchase by the Company of any of its own shares shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of each class of convertible shares.

## 8. Material contracts

- 8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- 8.1.1 An agreement dated 1 April 1999 between Stocks Hotel & Country Club Limited ("SHCC") (1) and Ashdown Forest Golf Hotel Limited ("Ashdown") (2) whereby SHCC agreed to sell its business and certain assets (being principally the premises and equipment) to Ashdown for £2,800,000, conditional only upon the shareholders of the Company

passing a resolution to approve the sale, which was passed on 28 July 1999. The liabilities and creditors of SHCC were excluded from the sale. Under the agreement, SHCC gave certain warranties relating to Stocks Hotel to Ashdown relating, *inter alia*, to the ability of Ashdown to effectively continue the business and to the employees. SHCC's maximum liability in respect of all breaches of these warranties is £250,000 except in respect of a breach relating to the title to the property.

- 8.1.2 An agreement dated 24 June 1999 between Strand Partners Limited (1), the Company (2) and the Directors (3) pursuant to which Strand Partners Limited agreed to offer 100,110,230 Ordinary Shares to qualifying shareholders pursuant to the open offer carried out by the Company at that time. In consideration of Strand Partners Limited's services, the Company agreed to pay Strand Partners Limited an advisory fee of £175,000. This agreement contained certain warranties by the Company and the Directors as to the accuracy of the information contained in the prospectus issued by the Company at that time and in relation to other matters relating to the Group and its business and an indemnity in favour of Strand Partners Limited from the Company. This agreement provided for the Company to pay the costs and expenses of and incidental to the placing and open offer and the application for listing, including the accountancy and legal fees and expenses, printing and the fees and expenses of the registrar.
- 8.1.3 An agreement dated 14 April 1999 between the Company and Mr N. List, pursuant to which the Company agreed to pay to Mr List £200,000 by the Company in full and final settlement of any claims he may have against any member of the Group.
- 8.1.4 An agreement dated 17 February 2000 between (1) John Sydney Limited, (2) Bristan Limited ("the Purchaser"), (3) Bristan Group Limited and (4) the Company whereby John Sydney Limited agreed to sell its business and certain assets and liabilities to the Purchaser for a cash amount equal to the value as at completion of the net assets being acquired plus a premium of £291,000 conditional only upon the shareholders of the Company passing a resolution to approve the sale, which was passed on 13 March 2000. The intercompany and bank borrowings of John Sydney Limited were excluded from the sale. Under the agreement, John Sydney Limited gave certain warranties to the Purchaser relating, *inter alia*, to its business and to the employees. John Sydney Limited's maximum liability in respect of all breaches of these warranties is the actual aggregate consideration received.
- 8.1.5 An agreement dated 12 July 2000 between the Company (1), hemscott.NET (2), the Directors (3), the Proposed Directors (4) and Peel Hunt (5), under which Peel Hunt has agreed, as agent for the Company and conditional (*inter alia*) on Admission occurring on or before 8 August 2000 (or such later date as Peel Hunt and the Company may agree), to use its reasonable endeavours to procure subscribers for 800,000,000 New Ordinary Shares. Peel Hunt has agreed to place all of the New Ordinary Shares with institutional and other investors subject to a right of recall in respect of up to 140,154,322 New Ordinary Shares to satisfy valid applications for Open Offer Shares under the Open Offer and up to 126,512,345 New Ordinary Shares to satisfy applications received under the Retail Offer on the terms set out in the agreement and the Application Forms.

The Company will pay to Peel Hunt a commission of £750,000. Out of such commission, Peel Hunt will pay a fee to Ermgassen & Co, of which Christopher Stainforth is a director, for services provided in connection with the Offer. Value added tax will, where appropriate, be paid on such commissions and fees.

The Company will pay certain other costs, charges and expenses relating or incidental to the Offer and Admission, including the fees of the London Stock Exchange, the fees of the Receiving Agent and Registrar, printing and advertising expenses, postage and all legal, accounting and other professional fees and expenses.

The Agreement contains representations, warranties and indemnities given by the Company, hemscott.NET, the Directors and the Proposed Directors in favour of Peel Hunt.

Each of the Directors and Proposed Directors have agreed, subject to certain exemptions, to restrictions on the disposal of any Ordinary Shares held on completion of the Placing, the Open Offer and the Retail Offer or which may subsequently be acquired until the first anniversary of Admission and from the first anniversary of Admission to the second anniversary of Admission not to make any disposals unless such disposals are effected in accordance with the reasonable requirements of Peel Hunt.

The Agreement may be terminated by Peel Hunt prior to Admission in certain circumstances, including if there has been a material breach of any of the representations, warranties or undertakings contained therein or if, before Admission, there shall have been, occurred, happened, discovered or come into effect any event or omission which in the reasonable opinion of Peel Hunt is or will or may be materially prejudicial to the Company or to the successful outcome of the Offer.

- 8.1.6 The Acquisition Agreement, being a conditional agreement dated 12 July 2000 between CRBF and others ("Sellers") (1) and the Company (2) whereby, subject to and conditional upon the Placing Agreement becoming unconditional (save for Admission), the Company agreed to acquire the entire issued share capital of hemscott.NET in consideration of the issue of the Consideration Shares. Bridgend has also pursuant to that agreement agreed to offer options over shares in Bridgend to those people holding options over shares in hemscott.NET immediately before the date of the Acquisition Agreement.

CRBF and certain other of the Sellers have given (subject to certain exceptions and limitations) normal warranties in favour of the Company in respect of the financial and trading position of the hemscott.NET Group together with a tax covenant in respect of any taxation liabilities of the hemscott.NET Group.

- 8.1.7 An irrevocable undertaking from Kanawa dated 12 July 2000 to vote in favour of Resolutions 2, 3 and 4 and to abstain from voting on Resolution 1.
- 8.1.8 Irrevocable undertakings dated 12 July 2000 from each of the Independent Directors to vote in favour of the Resolutions in respect of their entire holdings of Existing Ordinary Shares.
- 8.1.9 Irrevocable undertakings dated 12 July 2000 from each of Christopher Stainforth, Michael Bretherton and the trustees of the Zodiac Executive Pension Scheme.
- 8.1.10 An agreement between the Company and Clive Whiley dated 12 July 2000, under which, conditional on Completion, the Company will pay Mr Whiley £55,000 as compensation for the termination of his employment and the provision of his services to the Company (further details of which agreements are set out in paragraph 6.1(b) above). In addition, Mr Whiley will have twelve months from the date of Admission to exercise his options as adjusted in accordance with the provisions of the Bridgend Executive Share Option Scheme 1985.
- 8.1.11 An agreement between the company and Michael Bretherton dated 12 July 2000 under which, conditional on Completion, the Company will pay Mr Bretherton £180,000 as compensation for the termination of his employment under terms of his service agreement with the Company (further details of which are set out in paragraph 6.1(a) above). In addition, Mr Bretherton will have twelve months following Admission to exercise his options as adjusted in accordance with the provisions of the Bridgend Executive Share Option Scheme 1985.

8.1.12 An agreement between the Company and Y-LEE Limited dated 12 July 2000, under which, conditional on Completion, the Company will pay Y-LEE Limited £150,000 plus VAT as a one-off fee in respect of the successful acquisition of hemscott.NET.

8.1.13 An agreement dated 12 July 2000 between the Company and Michael Grade under which, conditional on Completion, the Company granted Mr Grade an option over 3,407,027 Ordinary Shares at 2.25p per share. No option is exercisable before the first anniversary of Admission; one third of the number become exercisable on that anniversary, a further third on the second anniversary and the balance on the third anniversary. The options terminate on Mr Grade's appointment coming to an end, except by reason of his death, in which case they may be exercised within the succeeding twelve months. To the extent not previously exercised, all options cease to be capable of exercise on 21 March 2010.

8.1.14 An agreement between the Company and Rosalyn Wilton dated 12 July 2000, under which, conditional on Completion, the Company granted Mrs Wilton options over the number of Ordinary Shares (other than the option over 1,333,333 Ordinary Shares to be granted under the Bridgend 1999 Share Option Scheme) exercisable at the prices set out in paragraph 5.3(b) of Part VIII of this document. Of these options the options over 117,190,392 Ordinary Shares exercisable at 2.25p per share ("Tranche 1 options") are capable of immediate exercise. The options over 19,468,724 Ordinary Shares exercisable at 3.75p per share ("Tranche 2 options") and the options over 4,867,181 Ordinary Shares exercisable at 5p ("Tranche 3 options") are not exercisable before the first anniversary of Admission; one third of the number become exercisable on that anniversary, a further third on the second anniversary and the balance on the third anniversary. If Mrs Wilton's employment terminates:

- by reason of her giving the requisite notice in accordance with her service agreement the Tranche 1 options will remain capable of exercise but if that notice period expires before the following date (the expiry date), the number of unexercised Tranche 1 options capable of exercise on the date the notice is given will be reduced from the date of the notice by the following percentage: if the expiry date is (i) after 27 October 2000 but before 28 October 2001, 50 per cent.; and (ii) after 27 October 2001 but before 28 October 2002, 25 per cent.;
- by reason of her death or by the Company terminating her service agreement other than in specified circumstances for cause the unexercised options (including the Tranche 2 options and the Tranche 3 options) will continue to be exercisable without reduction in number; or
- otherwise than in the circumstances described above, the unexercised options will terminate on Mrs Wilton's employment terminating.

To the extent not previously exercised, all options cease to be capable of exercise on 27 October 2009.

8.1.15 An agreement dated 12 July 2000 between the Company and Winston Fletcher under which, conditional on Completion, the Company granted Mr Fletcher options over 1,703,513 Ordinary Shares at 2.25p per share. No option is exercisable before the first anniversary of Admission; one third of the number become exercisable on that anniversary, a further third on the second anniversary and the balance on the third anniversary. The options terminate on Mr Fletcher's appointment coming to an end, except by reason of his death, in which case they may be exercised within the succeeding twelve months. To the extent not previously exercised, all options cease to be capable of exercise on 31 May 2010.

8.1.16 An agreement between the Company, Peel Hunt and the hemscott.NET Shareholders dated 12 July 2000, under which the hemscott.NET Shareholders agree not to sell, grant options over, transfer, charge, pledge or otherwise dispose or agree to dispose of any Ordinary Shares for a period of one year from Admission. This restriction applies to Ordinary Shares beneficially owned on or immediately following Admission and includes any Ordinary Shares which are allotted or issued pursuant to any capital reorganisation in respect of the Ordinary Shares owned on or immediately following Admission, any Ordinary Shares issued pursuant to the conversion of any convertible debt securities or the exercise of any warrants, options or similar rights held by a hemscott.NET Shareholder at Admission and any Ordinary Shares which are allotted or issued by way of rights in respect of any Ordinary Shares beneficially owned on or immediately following Admission.

The above restrictions do not apply to the following:

- any disposal made in or for the purposes of the Offer;
- any disposal or option exercise which is notified in writing in advance to Peel Hunt and to which Peel Hunt gives its prior consent in writing;
- any disposal by way of gift to a family member or to a trustee on behalf of the hemscott.NET Shareholder;
- any acceptance of a general offer for the ordinary share capital of the Company made in accordance with the Code or the provision of an irrevocable undertaking to accept such an offer or a sale of the Ordinary Shares to an offeror or a potential offeror during an offer period (within the meaning of the City Code);
- any disposal pursuant to a scheme of reconstruction under Section 425 Companies Act 1985;
- any disposal pursuant to a scheme of reconstruction under Section 110 Insolvency Act 1986;
- any disposal by the personal representatives of any deceased individual hemscott.NET Shareholder; or
- any disposal to provide funds to meet any liability arising under any claim made pursuant to the Acquisition Agreement as provided for in Clause 8 of the Acquisition Agreement.

In addition, each of the hemscott.NET Shareholders agrees with Peel Hunt and the Company that for the period from the first anniversary of Admission until the second anniversary of Admission they will not effect any disposal, as defined above, unless such disposal shall be affected in accordance with the reasonable requirements of Peel Hunt so as to ensure an orderly market in the Company's listed securities, including, without limitation, the requirements that such disposal may be effected through Peel Hunt provided that Peel Hunt can effect the disposal within five business days of a request to do so and on normal market terms.

8.2 Save as set out in paragraph 8.1, no member of the Group has, within the two years immediately preceding the date of this document, entered into any contract which is or may be material otherwise than in the ordinary course of business.

8.3 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the hemscott.NET Group within the two years immediately preceding the date of this document and are or may be material:

8.3.1 To effect the reorganisation of Hemmington Scott Limited ("HSL") (now called HS Financial Publishing Limited) which previously carried on the business now being carried on by hemscott.NET, HSL and Hemscott Limited entered into a number of agreements on 7 December 1999 including:

- a sale agreement under which all the business rights and assets of HSL, except those relating to the publishing and conferencing business being retained, were transferred from HSL to Hemscott Limited for a cash consideration left outstanding as a debt due from Hemscott Limited to HSL;
- a data supply agreement under which Hemscott Limited has agreed to provide HSL with access to its database (including a licence to use certain publication, extraction and typesetting software on the database) and to store, use and reproduce information from the database. HSL agreed to pay Hemscott Limited an index-linked annual fee of £500,000 (before VAT or any other applicable tax) which is subject to upward adjustment if the costs of collecting information for inclusion in the database increase and that increase is directly attributable to the supply of information to HSL. The agreement contains certain warranties, performance and similar undertakings and provisions regarding confidentiality and protection of intellectual property rights. In the absence of default, the agreement is terminable by either party serving 12 months' notice;
- an on-line distribution agreement under which Hemscott Limited has agreed to act as HSL's agent for the hosting and online distribution of REFS Online (an on-line product forming part of the publishing and conferencing business retained by HSL). By this agreement, Hemscott Limited is licensed to use HSL's software specific to REFS Online to provide the user interface for delivery of REFS Online; Hemscott Limited has also agreed, by using that software, to incorporate all relevant information into REFS Online and make REFS Online available to HSL's subscribers for REFS Online via Hemscott Limited's web site. The agreement also allows Hemscott Limited to provide its own customers and subscribers with pages from REFS Online free in certain circumstances and to provide access to its own customers to individual pages of REFS Online on a pay-per-view basis on terms agreed with HSL. In consideration of its services, Hemscott Limited is entitled to retain as a commission 30 per cent. of net subscriber fees collected by it in relation to REFS Online and 30 per cent. of the revenues received from Hemscott Limited's customers on a pay-per-view basis. The agreement contains certain warranties, performance and similar undertakings and provisions regarding confidentiality and protection of intellectual property rights. In the absence of default, the agreement is terminable by either party serving 12 months' notice;
- an agreement for the provision of IT hosting and IT support services under which Hemscott Limited has agreed to maintain certain HSL information on Hemscott Limited's computers and to provide other IT Services until 31 December 2000 (or such earlier date as HSL decides by giving 60 days' notice or as Hemscott Limited decides in the event that either party relocates premises) for a fee (subject to increase or renegotiation in certain specified circumstances) at an annual rate of £60,000 (before VAT or any other applicable tax);
- an administration agreement under which, from 4 January 2000 to 31 May 2000 or such earlier date as may be agreed, HSL has agreed to provide Hemscott Limited with accounting, payroll and office management services for a monthly fee of £22,900 (before VAT or any other applicable tax);



- a business names licence under which Hemscott Limited grants HSL a royalty free licence to continue to use the “Hemmington Scott” name in connection with any product, service or publication of HSL incorporating data predominantly from the database; the licence shall terminate on the expiry of the data supply agreement referred to above (or any successor agreement). HSL was also granted, for a period of 12 months from 7 December 1999, the right to use the name “Hemscott” as part of the title of and in connection with “The Company Guide”; and
- a licence from HSL to Hemscott Limited to occupy up to 8,500 square feet (including certain shared areas) of HSL’s premises at City Innovation Centre, Whiskin Street, London EC1 for six months from 7 December 1999 at a monthly fee of £18,000 (before VAT) inclusive of all associated costs of occupation (including rates, utilities, insurance and service charges). On 22 May 2000 the period of the licence was extended from 7 June 2000 to 30 June 2000 in consideration of an additional payment of £13,800. On 30 June 2000, the period of the licence in respect of around 4,630 square feet was further extended to 31 August 2000 in consideration of an additional payment which (including the associated costs of occupation) is not expected to exceed £25,000.

8.3.2 As the second stage of the reorganisation and following the passing of a resolution of the shareholders of Hemscott Limited to place Hemscott Limited in members’ voluntary liquidation, by an agreement dated 4 January 2000 under section 110 of the Insolvency Act 1986 (the “section 110 Agreement”):

- the business and assets of Hemscott Limited acquired under the sale agreement of 7 December 1999 and referred to above, and all creditors of that business (including a loan of £1,000,000 plus accrued interest due to CRBF), were transferred to hemscott.NET Limited in return for (i) the issue and allotment pro rata of shares in hemscott.NET Limited to those persons holding shares in Hemscott Limited immediately before the resolution to wind up was passed; (ii) the assumption by hemscott.NET Limited of £350,000 of the debt due from Hemscott Limited to HSL that arose under the sale agreement referred to at paragraph 8.3.1 above; and (iii) the assumption by hemscott.NET Limited of the obligation to pay certain accrued interest totalling £65,968 in aggregate that had arisen in respect of loan notes of Hemscott Limited which had been held by certain shareholders of Hemscott Limited but which had been fully converted and discharged (except for such interest) before the date of the section 110 Agreement; and
- the shares in HSL, which at that point continued to carry on the publishing and conferencing business, were transferred to HS Publishing Group Limited (at that time, HS Publishing Group Limited was named HS Financial Publishing Limited) in return for the issue and allotment pro rata of shares in HS Publishing Group Limited to the persons holding shares in Hemscott Limited immediately before the resolution to wind up was passed and the assumption by HS Publishing Group Limited of the balance of the debt due from Hemscott Limited to HSL.

By the section 110 Agreement, the various agreements entered into on 7 December 1999 and to which Hemscott Limited was a party were novated so that the obligations, liabilities and benefits of Hemscott Limited under those agreements were released and became obligations, liabilities and benefits of hemscott.NET Limited.

8.3.3 By an agreement dated 21 March 2000 between hemscott.NET Group plc and the shareholders of hemscott.NET Limited, the shareholders in hemscott.NET Limited exchanged their shares for shares in hemscott.NET Group plc on the basis of one new share

in hemscott.NET Group plc for each share in hemscott.NET Limited. hemscott.NET Group plc therefore issued 107,040,402 new ordinary shares of 1p each and credited the two subscribers' shares as fully paid up. This agreement also provided for the unperformed rights and obligations of hemscott.NET Limited relating to the issue of new shares under the subscription agreement referred to at 8.3.4 below to be released and assumed by hemscott.NET Group plc.

- 8.3.4 By an agreement dated 27 January 2000 between hemscott.NET Limited, CRBF, Nazca Limited Partnership ("Nazca") and certain shareholders in hemscott.NET Limited, CRBF and Nazca agreed to provide a facility to hemscott.NET Limited by undertaking to subscribe at hemscott.NET Limited's request (not more often than by monthly tranches of not less than £100,000) for up to 10,101,010 new shares in hemscott.NET Limited at a price of 49.5p per share in the respective proportions of CRBF 59.4 per cent. and Nazca 40.6 per cent. The agreement contains various warranties from hemscott.NET Limited to the subscribers and certain other undertakings concerning the provision of financial information and other matters which now bind hemscott.NET Group plc.
- 8.3.5 By a facility letter dated 1 June 2000 CRBF made a facility of up to £3,000,000 available to hemscott.NET in tranches of £50,000. Amounts borrowed under the facility are repayable on demand and shall be repaid on Admission. Amounts borrowed bear interest at 10 per cent. per annum payable on repayment of the loan.
- 8.3.6 By an agreement dated 12 July 2000 between hemscott.NET Limited and Peter Scott, one of the hemscott.NET Shareholders, it was agreed that with effect from Completion Mr Scott's employment with hemscott.NET Limited would terminate and hemscott.NET Limited would pay after Completion as compensation for that termination a lump sum equal to six months' remuneration (less any remuneration paid for the period from 13 July 2000 to the date of Completion.)
- 8.3.7 By an agreement dated 12 July 2000 between hemscott.NET Limited and Jill Meiring, one of the hemscott.NET Shareholders, it was agreed that with effect from Completion Ms Meiring's employment with hemscott.NET Limited would terminate and hemscott.NET Limited would pay after Completion as compensation for that termination a lump sum equal to six months' remuneration (less any remuneration paid for the period from 13 July 2000 to the date of Completion).

## **9. Litigation**

- 9.1 No member of the Group is or has been engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the Group's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Group.
- 9.2 HSL issued proceedings in the High Court against Interactive Investor International Limited on 6 September 1999 claiming damages for infringement of copyright and database rights in its financial information. As part of the reorganisation of HSL, hemscott.NET Limited has succeeded to this action. A trial has been fixed to begin in October 2000. Save for the foregoing, no member of the hemscott.NET Group is or has been engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect hemscott.NET Group's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the hemscott.NET Group.

## **10. Share Option Schemes**

- 10.1 A summary of the rules of the 1985 Share Option Scheme of Bridgend (the "1985 Scheme") is set out below:

### *Administration*

The Board is responsible for administering the 1985 Scheme, which is approved by the Inland Revenue.

### *Grant of Options and Eligibility*

The Board may grant options to acquire Ordinary Shares to any full-time employees and directors of the Group (other than those due to retire within two years). Options are granted free of charge and are non-transferable.

### *Period for the Grant of Options*

Options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period.

### *Exercise Price*

The exercise price per Ordinary Share is determined by the Board but must be no less than its market value at the date of grant (or its nominal value, if higher)

### *Performance Test*

The Board may impose a condition ("the performance test") on the exercise of options, restricting the exercise of an Option by reference to the level of profits of the Group or one or more subsidiaries, or to time limits, or such other conditions as the Inland Revenue may agree.

### *Individual Limits*

An individual's overall participation under the 1985 Scheme is limited so that the aggregate market value at the date of grant of the shares over which options have been granted to him in any ten year period, under all Group share option schemes (except savings-related schemes), cannot exceed four times his emoluments subject to PAYE. If there are no such emoluments for the current or preceding years, an individual's participation is limited so that the aggregate market value at the date of grant of the shares comprised in subsisting options granted to him under all Inland Revenue approved schemes at the time (except savings-related schemes) cannot exceed £100,000.

### *1985 Scheme Limits*

The number of Ordinary Shares issuable pursuant to options granted under the 1985 Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group executive share schemes within the previous period of ten years, may not exceed 4,000,000 Ordinary Shares or, if less, 5 per cent. of the Company's issued ordinary share capital at the date of grant.

The number of Ordinary Shares issuable pursuant to options granted under the 1985 Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group share schemes within the previous period of ten years, may not exceed 7,500,000 Ordinary Shares or, if less, 10 per cent. of the Company's issued ordinary share capital at the date of grant.

### *Exercise and Lapse of Options*

#### *(i) General position*

An option is normally exercisable between three and ten years from the date of grant, provided any performance test has been satisfied.

(ii) *Special Circumstances*

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the Board exercise their discretion in the participant's favour. Exercise is also permitted in special circumstances such as a takeover. The satisfaction of any performance test will not be required except in the case of an exercise of the Board's discretion if the Board so decide.

(iii) *Exchange of options on a takeover*

In the event of a take over, a participant may be permitted to exchange his options for options over shares in the acquiring company.

*Variations of share capital*

On certain variations of the ordinary share capital of the Company, the Remuneration Committee may, subject to the approval of the Company's auditors and the Inland Revenue, adjust the exercise price and the number of Ordinary Shares comprised in existing options.

*Amendment*

(i) The provisions of the 1985 Scheme relating to:

- (a) the persons to whom options may be granted;
- (b) limitations on the grant of options and the maximum entitlement of individual eligible employees;
- (c) the determination of the price at which shares may be acquired by the exercise of options;
- (d) the adjustment of options;
- (e) the restrictions on the exercise of options;
- (f) the rights to be attached upon their issue to shares issued upon the exercise of options;
- (g) the rights of participants on the winding up of the company;
- (h) the transferability of options; and
- (i) the alteration of the 1985 Scheme may only be amended with the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the 1985 Scheme to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, a subsidiary or participant).

(ii) No amendment may be made which would adversely affect the subsisting rights of participants without the consent of the participants.

(iii) No amendment shall be effective until formally approved by the Inland Revenue.

*Termination*

The 1985 Scheme will terminate when the Directors so determine, although options may only be granted for twenty years from the date of the Company's adoption of the 1985 Scheme.

- 10.2 A summary of the rules of the 1999 Share Option Scheme of Bridgend (the “1999 Scheme”) is set out below:

*Administration*

The Remuneration Committee is responsible for administering the Scheme. It is divided into two parts: the approved part, for which Inland Revenue approval is currently being sought, and the non-approved part.

*Grant of options and eligibility*

The Remuneration Committee may grant options to acquire Ordinary Shares to any employees and full-time directors of the Group (other than those due to retire within two years). Options are granted free of charge and are non-transferable.

*Period for the grant of options*

The first grant of options under the approved part of the Scheme may be made within 42 days following the Inland Revenue’s approval of the approved part of the 1999 Scheme (“the approval date”). The first grant of Options under the unapproved part of the Scheme may be made within 42 days of the adoption of the Scheme by the Board. Thereafter, options may be granted within 42 days following the announcement of the Company’s interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

*Exercise price*

The exercise price per Ordinary Share is determined by the Remuneration Committee but must be no less than its market value at the date of grant (or its nominal value, if higher).

*Performance test*

The Remuneration Committee may impose an objective performance test on the exercise of options.

*Individual limits*

An individual’s overall participation under both the approved and non-approved parts of the Scheme is limited so that the aggregate market value at the date of grant of the shares over which options have been granted to him in any ten year period, under all Group share option schemes (except savings-related schemes), cannot exceed four times his remuneration excluding any benefits in kind. In addition, an individual’s participation under the approved part of the 1999 Scheme is limited so that the aggregate market value at the date of grant of the shares comprised in subsisting options granted to him under all Inland Revenue approved schemes (except savings-related schemes) cannot exceed £30,000.

*Scheme limits*

- (i) The number of Ordinary Shares issuable pursuant to options granted under the Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group executive share schemes within the previous periods of three and ten years, may not exceed 3 per cent and 5 per cent respectively of the Company’s issued ordinary share capital at the date of grant.
- (ii) The number of Ordinary Shares issuable pursuant to options granted under the 1999 Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group share schemes within the previous period of ten years, may not exceed 10 per cent. of the Company’s issued ordinary share capital at the date of grant.

### *Exercise and lapse of options*

(i) General position

An option is normally exercisable between three and ten years from the date of grant, provided any performance test has been satisfied.

(ii) Special circumstances

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the Remuneration Committee exercises its discretion in the participant's favour. Exercise is also permitted in special circumstances such as a take-over. The satisfaction of any performance test will not be required except in the case of retirement or an exercise of the Remuneration Committee's discretion.

(iii) Exchange of options on a takeover

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

### *Variations of share capital*

On certain variations of the ordinary share capital of the Company, the Remuneration Committee may, subject to the approval of the Company's auditors and the Inland Revenue, adjust the exercise price and the number of Ordinary Shares comprised in existing options.

### *Amendment*

(i) The provisions of the Scheme relating to:

- (a) the persons to whom options may be granted;
- (b) limitations on the grant of options and the maximum entitlement of individual eligible employees;
- (c) the determination of the price at which shares may be acquired by the exercise of options;
- (d) the adjustment of options;
- (e) the restrictions on the exercise of options;
- (f) the rights to be attached upon their issue to shares issued upon the exercise of options;
- (g) the rights of participants on the winding up of the Company;
- (h) the transferability of options; and
- (i) the alteration of the 1999 Scheme may only be amended to the advantage of participants with the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the 1999 Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, a subsidiary or participant).

(ii) No amendment shall be effective until formally approved by the Inland Revenue.

### *Benefits*

Benefits derived under the 1999 Scheme by individual employees of the Group shall not be pensionable under the terms of their contracts of employment.

### *Termination*

The Scheme will terminate ten years after the approval date or earlier, if the Remuneration Committee so determines.

- 10.3 At the Extraordinary General Meeting to be held on 10 August 2000, it is proposed that, in accordance with the rules of the 1999 Scheme, the approval of shareholders should be sought to certain amendments to the 1999 Scheme.

Such amendments would apply to future options granted under the 1999 Scheme, including those granted in connection with the admission of the Ordinary Shares to trading on AIM.

The purpose of the amendments is to reflect current practice, as set out in the guidance issued by the Association of British Insurers for listed companies in July 1999, and also to provide for greater flexibility to operate the 1999 Scheme in respect of directors and employees of the Enlarged Group.

The main features of the proposed amendments are as follows:

### *Eligibility*

It is proposed that participation in the unapproved part of the 1999 Scheme will no longer be extended to directors of companies in the Group who devote less than 25 hours per week to the Group. Such individuals are not eligible to participate in the approved part of the 1999 Scheme.

### *Overall Limitations on the scheme*

It is proposed that, following the guidance of the Association of British Insurers issued in July 1999, one of the scheme limits contained in the 1999 Scheme be removed. The proposed amendment is to remove the restriction in the 1999 Scheme on issuing more than 3 per cent. of Bridgend's share capital pursuant to any discretionary share scheme operated by the Group in any three-year period.

Bridgend will continue to be restricted to issuing no more than 5 per cent. of its share capital pursuant to any discretionary share scheme in any ten-year period and no more than 10 per cent. of its share capital pursuant to any employee share scheme in any ten-year period.

In determining the application of these limits, no account will be taken of any Ordinary Shares where the right to acquire such Ordinary Shares was released or lapsed without being exercised, or where the right to acquire such Ordinary Shares was granted before 8 August 2000.

### *Restrictions on Grant*

The 1999 Scheme contains a limit on the value of shares that may be placed under option for an individual in any ten-year period of no more than four times remuneration. This rule reflects previous best practice, and earlier (now superseded) guidelines of the Association of British Insurers for listed companies.

It is believed that this rule would be unduly restrictive in the future, and would prevent the Company from encouraging executives and employees to build a meaningful stake in the Company.

The Company feels that, in the future, its business needs will best be met by removing this overall limit, and moving towards a policy of granting options on a phased basis.

It is therefore proposed that the 1999 Scheme be amended to remove the existing limit on the value of shares that may be placed under option for an individual of four times remuneration in any ten year period.

Options granted under the approved part of the 1999 Scheme will continue to be subject to the Inland Revenue limits on individual participation, so that no individual may be granted an approved option over share worth more than £30,000.

#### *Exercise of options*

In order to ensure that options granted under the 1999 Scheme provide effective recruitment, retention and motivation arrangements for the Group, it is proposed that the rules relating to the timing and conditions of the exercise of options granted under the Share Option Scheme should be amended.

In particular, it is proposed that:

- there should be flexibility for the Remuneration Committee to specify, at the date of grant of an option, the date, or dates on which all or part of the option may be capable of exercise, so that an option may become exercisable over a period of months or years; and
- there would no longer be a requirement that options should be granted subject to a performance condition, although there would be scope for imposing such conditions if appropriate.

#### *Administration*

It is proposed that certain amendments should be made to the 1999 Scheme to enable it to be operated in conjunction with an employee benefit trust. In particular, the amendments would enable the Company or any subsidiary to make contributions to such trust where the trustee of such trust has agreed to satisfy options granted under the 1999 Scheme to employees of the Group.

A copy of the rules of the 1999 Scheme, with the proposed amendments marked, is available for inspection as set out in paragraph 16 of this Part VIII.

#### 10.4 A summary of the rules of the hemscott.NET 2000 Unapproved Executive Share Option Plan ("the hemscott.Net Unapproved Executive Plan") is set out below:

The options under the hemscott.NET Unapproved Executive Plan include some of the options granted to Mr O'Byrne, a Proposed Director, details of which are set out in paragraph 5.3(c) of Part VIII of this document. All these options will be granted for no consideration. Each option will lapse on the tenth anniversary of its grant by hemscott.NET.

This plan will continue to govern the terms of the replacement options referred to in paragraph 4.8 of Part VIII of this document after Completion:

- (i) Options were granted, at no cost to eligible employees, either to subscribe for new ordinary shares in hemscott.NET or to acquire from the trustee of any employee trust established by hemscott.NET ordinary shares held by that trust.
- (ii) The employees eligible to participate in the hemscott.NET Unapproved Executive Plan were executive directors and other employees of hemscott.NET or its subsidiaries but there were excluded employees who are within two years of their normal retirement date.
- (iii) The rules of the hemscott.NET Unapproved Executive Plan allow for an objective condition to be attached to the exercise of an option. No such conditions were attached to the options referred to above.
- (iv) The price at which an option may be exercised will be not less than the market value of a share on the date on which the option is granted or, if the directors of hemscott.NET decide, at some earlier time.



- (v) No option granted subject to any condition may be exercised unless that condition has been fulfilled. Options may, however, be exercised earlier than the first date for exercise fixed at the date of grant if the option holder dies, ceases to be an employee due to ill health, redundancy, retirement (occurring two or more years after the date of grant), early retirement by agreement with the employer or, in specified circumstances, pregnancy. The option may also be exercised earlier if hemscott.NET disposes of the subsidiary or business which employs the option holder. Additionally, hemscott.NET may permit early exercise in other circumstances.
- (vi) No option may be exercised at any time when such action would not be in accordance with the "Model Code for AIM Companies" issued by the London Stock Exchange.
- (vii) An option under the hemscott.NET Unapproved Executive Plan is personal to the option holder and may not be transferred or exercised by any person other than the option holder (or his or her personal representatives).
- (viii) Following certain variations in the share capital of hemscott.NET, including by reason of a capitalisation, rights issue or subdivision of the share capital, the number of shares over which an option is granted or other terms of outstanding unexercised options may be varied.
- (ix) The rules of the hemscott.NET Unapproved Executive Plan may be altered by hemscott.NET, but no alteration or addition to the advantage of optionholders shall be made unless shareholder approval in general meeting is first obtained.
- (x) On a sale of shares in hemscott.NET such that a person who did not have control (as that term is defined in the rules) before the sale obtains control the options become exercisable unless the person obtaining control agrees that participants under the hemscott.NET Unapproved Plan may release their option in consideration of the grant of a new option (equivalent in all terms to the old option but which relates to shares in the company acquiring control), in which case the participant may not exercise his option but must agree to the grant of a new option and, if he does not so agree, his option will lapse.

hemscott.NET expected to incur National Insurance charges relating to the options granted under the hemscott.NET Unapproved Executive Plan (and to the options granted under the individual arrangements referred to at paragraphs 5.3(a) and (b) above) at the rate applicable at the time of exercise (at present 12.2 per cent.) on the difference between the share value at the exercise date and the grant price. hemscott.NET intended to provide for this liability at each financial period end based on the difference between the period end share value and the grant price.

## **11. Working Capital**

The Company is of the opinion that, having regard to the bank facilities available to the Enlarged Group and the net proceeds of the Placing, the Open Offer and the Retail Offer, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

## **12. Year 2000**

The Year 2000 is an issue for users of computer systems throughout the world. It was possible that the date change from 1999 to 2000 might affect the functions of computer systems when the year is represented within those systems by two digits rather than four. For example, "1995" is stored as "95"; similarly the year "2000" is stored as "00". It was feared that computer systems processing a "00" date might have interpreted it as "1900", with the consequence that incorrect date calculations could be made resulting in errors and, possibly, system failures. It was also feared that this might affect systems with embedded chips.

The Year 2000 problem is unique and even with the year having begun there can be no assurance that the steps taken by any company will have successfully minimised the vulnerabilities of its software systems, or those of its suppliers and / or customers, to the problems associated with the transition to the Year 2000.

As stated in a circular to shareholders dated 23 February 1999, steps were implemented by the Company to evaluate the likely impact of the Year 2000 issue and all of the Company's computer systems were Year 2000 compliant by 1 December 1999; the Company is confident that appropriate measures were taken to minimise the likelihood of any problems associated with the Year 2000. Due to the complexity of the Year 2000 problem and possible exposure to systematic failure, internally or externally, there can be no assurance that the Year 2000 problem will not have a material adverse effect on the Company.

Steps were implemented by the hemscott.NET Group to evaluate the likely impact of the year 2000 and all of the hemscott.NET Group's computer systems were Year 2000 compliant by 1 December 1999; hemscott.NET is confident that appropriate measures were taken to minimise the likelihood of any problems associated with the Year 2000. Due to the complexity of the Year 2000 problem and possible exposure to systematic failure, internally or externally, there can be no assurance that the Year 2000 problem will not have a material adverse effect on hemscott.NET.

As at the date of this document no problems associated with the Year 2000 have been encountered.

The costs associated with Year 2000 compliance were not material and no further associated costs are anticipated.

### **13. United Kingdom Taxation**

#### ***United Kingdom Tax Considerations***

The statements set out below are intended only as a general guide to current UK tax law and practice. They are intended to apply only to investors resident for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents) whose Ordinary Shares are either registered on the Company share register maintained in the UK and/or held through CREST. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding shares. Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under UK law of the acquisition, ownership and disposition of shares. This summary is based upon UK law and UK Inland Revenue practice in effect as of the date of this document and which may be subject to change, perhaps with retroactive effect.

The statements are not applicable to all categories of shareholders, and in particular are not addressed to (i) shareholders who do not hold their Ordinary Shares as capital assets, (ii) special classes of shareholders such as dealers in securities, broker-dealers, insurance companies and investment companies, (iii) shareholders who hold shares as part of hedging or conversion transactions, and (iv) shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise).

#### ***Taxation of Dividends and Distributions***

The Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the United Kingdom (for tax purposes) and who receives a dividend from the Company will be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A United Kingdom resident individual Shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A United Kingdom

resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to repayment of the tax credit. In the case of a United Kingdom resident individual Shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match his tax liability on the gross dividend and he will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of his income falls above the threshold for higher rate income tax.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company, although charities will be entitled to limited compensation in lieu of repayable tax credits until 5 April 2004.

Tax credits on dividends paid by the Company in respect of Shares held in personal equity plans ("PEPs") or individual savings accounts ("ISAs") will be repayable on dividends paid on or before 5 April 2004.

United Kingdom resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the Company. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. A Shareholder who is not resident in the United Kingdom (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

### ***United Kingdom Taxation of Capital Gains***

#### ***UK resident Shareholders***

A disposal of Ordinary Shares by a Shareholder who is resident or ordinarily resident in the UK for tax purposes may give rise to a gain (or loss) for the purposes of taxation of capital gains.

#### ***Shareholders temporarily non-resident in the United Kingdom***

A Shareholder who is an individual and who is only temporarily non-resident in the United Kingdom for tax purposes, may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to available exemptions or reliefs).

#### ***Non-UK resident Shareholders***

Shareholders who are not resident or ordinarily resident for tax purposes in the UK and who have been resident or ordinarily resident who do not return to the UK within five years of the disposal will not be liable to UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.

### ***United Kingdom Inheritance Tax***

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies, to companies who would be close if they were resident in the UK and to trustees of settlements who hold Ordinary Shares bringing them within the charge to inheritance tax. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements.

### ***ISAs and PEPs***

As a result of the proposed transfer to AIM, the Ordinary Shares will no longer constitute qualifying investments for the purposes of an Individual Savings Account ("ISA"). According to current Revenue practice, an ISA manager must either sell such investments within 30 calendar days of the date they become non-qualifying investments, in which case the proceeds can remain in the stocks and shares component of the relevant ISA, or transfer them to the investor to be held outside the ISA. Shareholders are advised to take independent professional advice on the consequences of the proposed admission of the Company to AIM on any ISA investment.

In addition, on admission to AIM, the Ordinary Shares will cease to be qualifying investments if held directly by individual investors in a Personal Equity Plan ("PEP"), although as AIM securities they can count towards unit trusts' and investment trusts' own qualifying investments for PEP purposes. According to current Revenue practice, a PEP manager must either sell such investments within 30 calendar days of the date of Admission or transfer them to the investor to be held outside the PEP. Shareholders are advised to take independent professional advice on the consequences of the proposed admission of the Company to AIM on any PEP investment.

### ***United Kingdom Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

Holders of Ordinary Shares will be registered on the register of the Company in the UK. Persons who are a "system member" of CREST (as defined in the CREST regulations) may elect to hold their Ordinary Shares through CREST for trading on the London Stock Exchange.

#### ***Shares registered on the UK Share register of the Company***

No stamp duty or SDRT will be payable on the issue of Ordinary Shares pursuant to the Placing and Open Offer and the Retail Offer.

Stamp duty at the rate of 0.5 per cent. of the actual consideration paid is payable on an instrument transferring the Shares. A charge to SDRT will also arise on an agreement to transfer the Shares (at the rate of 0.5 per cent. of the consideration paid), although the liability will be cancelled and any SDRT already paid will be repaid, generally with interest, provided that the instrument transferring Ordinary Shares is executed and duly stamped within six years of the date on which the liability to SDRT arises. Higher rates may apply in certain circumstances.

#### ***Shares held through CREST***

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT, rather than stamp duty, at a rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST System.

Special rules apply to agreements made by, amongst others, intermediaries and certain categories of person may be liable to stamp duty or SDRT at higher rates.

**Any person who is in any doubt as to his or her taxation position should consult his or her professional advisers.**

## **14. Information on hemscott.NET shareholders**

- 14.1 The following parties are shareholders in hemscott.NET: CRBF, Ms J. Meiring, Mr P. N. Scott, Nazca Limited Partnership, Mr F. Horack, Mr A. Wheatley, Mr C. D. O. Jillings and The Cardinal Trust.

- 14.2 CRBF is a private investment fund company registered in Labuan, Malaysia. It was incorporated in November 1994 and has a range of investment interests across different sectors. As at 31 March 2000, the value of the fund was in excess of £100 million made up of more than 10 investments. Its sole activity is that of holding investments and it is controlled by the trustees of a family trust of which the Saville family are beneficiaries. Quantum Partners L.D.C. is economically interested in CRBF and will be, as a result, deemed to be indirectly interested in 80 per cent. of CRBF's holding in the Enlarged Group.

The Directors of CRBF are Mr D. Saville, Mr R. Katz and Mr C. Chin, all of Level 10, Wisma Oceanic, Jalan O.K.K., Awang Besar, W.D.T. 176, 87009 Labuan F.T., Malaysia.

Mr Duncan Saville, BCom (Hons), BSc (Hons), FCA, of 278 Sussex Street, Sydney, Australia, provides services as a director of CRBF. Mr Saville has been involved in investment, advisory, and corporate finance services since 1981. He is currently a director of a number of companies including Foreign & Colonial Special Utilities Investment Trust Plc, East Surrey Holdings Plc and Dee Valley Water Plc.

Following Completion and Admission, CRBF will be interested in up to 662,675,617 Ordinary Shares (assuming that it subscribes for 266,666,667 Placing Shares pursuant to the Placing, subject to clawback to satisfy valid applications under the Retail Offer and the Open Offer) with a value of £14.9 million at the Issue Price, representing 41.2 per cent. of the Enlarged Share Capital.

Since its incorporation, CRBF has published no financial information.

- 14.3 Ms J. Meiring, of City Innovation Centre, 26-31 Whiskin Street, London EC1R 0JD, co-founded HSL in 1985 and she was responsible for the financial and operational performance of the business from formation until November 1999. Following Completion and Admission, Ms Meiring will be interested in 114,116,979 shares in the Enlarged Group with a value of £2.6 million at the Issue Price, representing 7.1 per cent. of the Enlarged Share Capital.
- 14.4 Mr P. N. Scott, of City Innovation Centre, 26-31 Whiskin Street, London EC1R 0JD, co-founded HSL in 1985 and joined the business full-time in 1990. Mr Scott is a chartered accountant and has spent his career working in financial services. Following Completion and Admission, Mr Scott will be interested in 111,846,646 shares in the Enlarged Group with a value of £2.5 million at the Issue Price, representing 7.0 per cent. of the Enlarged Share Capital.

## **15. General**

- 15.1 There has been no significant change in the financial or trading position of the Group since 31 December 1999, being the date to which the last audited accounts of the Group were published save for the sale of the business and certain assets and liabilities of John Sydney Limited, details of which are contained in paragraph 8.1.4 of Part VIII of this document.
- 15.2 On 12 April 2000, hemscott.NET issued 3,060,606 new shares of 1p each for cash of 49.5 pence per share for a total of £1,515,000. On 2 June 2000, hemscott.NET borrowed £700,000 and on 27 June 2000 and 10 July 2000 a further £750,000 and £600,000 respectively, all under the terms of a facility letter referred to in paragraph 8.3.5 of this Part VIII. In accordance with management expectations, hemscott.NET continues to make losses at a monthly rate not significantly different from the loss incurred in March 2000 (of approximately £1 million), with the consequent effect on the net assets of the company.
- 15.3 KPMG Audit Plc has given and has not withdrawn its written consent to the inclusion in this document of its accountants' report on Bridgend set out in Part V and its joint report on the unaudited pro forma statement of net assets set out in Part VII of this document in the form and context in which they appear.

- 15.4 Arthur Andersen has given and not withdrawn its written consent to the inclusion in this document of its accountants' report on hemscott.NET set out in Part VI and its joint report on the unaudited pro forma statement of net assets set out in Part VII of this document in the form and context in which they appear.
- 15.5 Peel Hunt have given and not withdrawn its written consent to the inclusion of its letter set out in Part II of this document with the references thereto and to their name in the form and context in which they are included and have authorised the contents of such letter for the purpose of paragraph 13(1)(e) of the POS regulations.
- 15.6 The Directors estimate that the expenses payable by the Company in connection with the Acquisition will be approximately £500,000 (excluding value added tax). The total expenses of or incidental to Admission which are payable by the Company (including professional fees, printing and advertising costs and amounts payable in respect of the Acquisition and the Placing, the Open Offer and the Retail Offer) are estimated to amount to approximately £1,800,000 (excluding value added tax) which includes £750,000 (excluding value added tax) payable to Peel Hunt. In addition, Peel Hunt will pay a fee of £275,000 (excluding value added tax) to Ermgassen & Co, of which Christopher Stainforth is a director, in connection with the Acquisition and the Placing, the Open Offer and the Retail Offer.
- 15.7 The estimated cash proceeds receivable by the Company following completion of the Placing, the Open Offer, the Retail Offer, the Acquisition and Admission net of fees, commissions and expenses payable, are estimated to amount to £15,700,000. The cash proceeds of the Placing, the Open Offer and the Retail Offer will be used as described under the heading "Introduction" in Part I of this document.
- 15.8 The Company is neither a close company nor a close investment holding company.
- 15.9 Save as disclosed in this document, no arrangement exists between any person and the Company and any person acting in concert with any of the hemscott.NET Shareholders or any member of the CRBF Concert Party in relation to relevant securities of the Company including, in addition, to indemnity and option arrangements, formal or informal, of whatever nature, which may be an inducement to deal or refrain from dealing.
- 15.10 Three of the shareholders in hemscott.NET, namely P. N. Scott, J. Meiring and F. Horack, have in order to secure loans made to each of them by CRBF given security over some of their shares in hemscott.NET, and also over the shares in Bridgend to be allotted to them under the Acquisition.
- 15.11 Save as set out in paragraph 15.10 of this Part VIII, there is no agreement, arrangement or understanding whereby any of the Consideration Shares to be issued pursuant to the Acquisition Agreement will be transferred to any other person.
- 15.12 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation agreement) exists between any of the hemscott.NET Shareholders or any member of the CRBF Concert Party and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence on the Proposals.
- 15.13 The minimum amount, which in the opinion of the Directors, must be raised for the purposes set out in paragraph 21 of Schedule 1 to the Public Offer of Securities Regulations is £18 million, which will be applied as follows:
- £1.8 million in respect of estimated commissions for procuring subscriptions of the Offer Shares;
  - nil in the respect of the purchase price of the property;
  - nil in the respect of the repayment of any money borrowed by the Company in respect of any of the foregoing matters; and
  - the balance after payment of the sums described above, in respect of working capital.

- 15.14 The issue premium for each New Ordinary Share, based on the Issue Price of 2.25p per share, is 1.25p over the nominal value of 1p.
- 15.15 The New Ordinary Shares will rank for all dividends declared by the Company on or after 8 August 2000. There are no arrangements in existence under which future dividends are waived or agreed to be waived.
- 15.16 The financial information contained in this document does not constitute the Company's statutory accounts within the meaning of section 240 of the Act. The consolidated accounts of the Company in respect of the two financial years ended 31 December 1998 have been, and the consolidated accounts for the year ended 31 December 1999 will be, delivered to the Registrar of Companies in England and Wales. The auditors' reports in respect of the statutory accounts for the three years ended 31 December 1999 each received an unqualified audit opinion and did not contain a statement under section 237(2) or (3) of the Act.
- 15.17 Save as disclosed in this document, there are no significant investments under active consideration.
- 15.18 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any exceptional factors which have influenced the activities of the Group or the Enlarged Group.
- 15.19 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the activities of the Group or the Enlarged Group.

#### **16. Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company (being in the City of London) during normal business hours on weekdays (Saturday and public holidays excepted) for a period of 14 days from the date of this document:

- 16.1 the Memorandum and Articles of Association of the Company;
- 16.2 the consolidated audited accounts of the Company for each of the two financial years ended 31 December 1998 and 31 December 1999;
- 16.3 the audited accounts of hemscott.NET for the period ended 31 March 2000;
- 16.4 the accountants' report on the Company set out in Part V of this document;
- 16.5 the accountants' report on hemscott.NET set out in Part VI of this document;
- 16.6 the joint letter from KPMG Audit Plc and Arthur Andersen on the pro forma statement of net assets set out in Part VII of this document;
- 16.7 the service agreements and appointment letters of the Directors and the Proposed Directors referred to in paragraph 6 of this Part VIII;
- 16.8 the material contracts referred to in paragraph 8 of this Part VIII;
- 16.9 the written consents referred to in paragraph 15 of this Part VIII;
- 16.10 the rules of the Share Option Schemes and the draft rules of the 1999 Scheme containing proposed amendments to that scheme; and
- 16.11 the irrevocable undertakings referred to in paragraph 8 of this Part VIII.

Dated 12 July 2000

## PART IX

### TERMS AND CONDITIONS OF APPLICATION FOR THE RETAIL OFFER

1. The Retail Offer is being made by Bridgend. Retail Offer Application Forms will be available on-line by following the instructions found at the Issues Direct/Bridgend Site together with a copy of this document dated 12 July 2000 published in connection with the Retail Offer. If you apply for New Ordinary Shares on a Retail Offer Application Form you will be agreeing with Bridgend, Peel Hunt and the Receiving Agent as set out below.
2. By completing and delivering a Retail Offer Application Form you as the applicant and, if signing on behalf of another person or corporation, that person or corporation:
  - (a) offer to acquire at the Issue Price the maximum number of New Ordinary Shares that may be applied for with the amount specified in the Retail Offer Application Form as the amount that you wish to invest provided that the application must be for £900, £1,485, £3,015 or £4,995 worth of New Ordinary Shares, subject to the provisions of this Part IX, the provisions set out in Part II of this document which relate to the Retail Offer, the terms of the Retail Offer Application Form and accompanying guidance notes, and solely on the basis of information contained in this document and the Memorandum and Articles of Association of Bridgend;
  - (b) authorise Capita IRG Plc as Receiving Agent, on behalf of Bridgend, to send you a definitive share certificate and/or a sterling cheque for any monies returnable (without interest) crossed "Account Payee" or your cheque, banker's draft or money order, by post at the risk of the person(s) entitled to it, to your address (or in the case of joint applicants, to the first-named applicant as set out in your Retail Offer Application Form), and to ensure that your name (and the names of any joint applicants) is/are placed on the register of members of Bridgend in respect of the New Ordinary Shares for which your application is accepted;
  - (c) in consideration of Bridgend making the Retail Offer and as a collateral contract between you and the parties referred to in paragraph 1 above which will become binding on despatch by post or delivery to the Receiving Agent of your Retail Offer Application Form:
    - (i) agree that your application may not be revoked by you until after 24 August 2000 in the event Admission has not taken place provided that your application may be withdrawn in the manner described in paragraph (xii);
    - (ii) undertake to pay the Issue Price for the New Ordinary Shares (payable in full on application) in respect of which your application is accepted (if any) and represent and warrant that your remittance will be honoured on first presentation and in any event by 2.00 p.m. on 10 August 2000, failing which you will not be entitled to receive a share certificate, nor to enjoy or receive any rights in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in the Receiving Agent's absolute discretion and on the basis that you indemnify the Receiving Agent in respect of any costs, expenses, losses or liabilities incurred as a result) and, pending receipt of cleared funds, the Receiving Agent on behalf of Bridgend and Peel Hunt may terminate the agreement to allocate New Ordinary Shares to you and re-allocate the New Ordinary Shares to another person;



- (iii) agree, on request by Peel Hunt or the Receiving Agent, to disclose promptly in writing to Peel Hunt or the Receiving Agent such information as Peel Hunt or the Receiving Agent may request in connection with your application and authorise Peel Hunt or the Receiving Agent to disclose any information relating to your application which Peel Hunt or the Receiving Agent may consider appropriate;
- (iv) agree that any share certificate in respect of any New Ordinary Shares to which you or any of the persons specified in paragraph 2(b) above may become entitled and monies returnable to you or such person may be retained pending clearance of your remittance, investigation of any suspected breach of these terms and conditions (including, for the avoidance of doubt, any of the confirmations, representations and warranties contained herein, including those warranties contained in paragraph 10 below) or any verification of identity which is, or which Peel Hunt or the Receiving Agent considers may be, required for the purposes of the Money Laundering Regulations 1993 and that any interest accruing on such retained monies shall accrue to and for the benefit of Bridgend;
- (v) agree that, if evidence of identity satisfactory to Peel Hunt or the Receiving Agent is not provided on or before 10 August 2000, Bridgend may terminate the contract of allocation with you and, in such case, the New Ordinary Shares which would otherwise have been allocated to you will be sold as soon as is reasonably practicable (and for which purpose you hereby irrevocably authorise Bridgend or any person appointed by Bridgend for this purpose to execute on your behalf any instrument of transfer which may be necessary to effect such sale (if any)) and, as soon as is reasonably practicable after such sale, your application monies (or, if less, an amount equal to the proceeds of such sale net of all expenses of the sale including for the avoidance of doubt any stamp duty and/or stamp duty reserve tax that may be payable) will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn and you agree that, in such event, you will have no claim against Bridgend, Peel Hunt or the Receiving Agent or any of their respective officers, agents or employees in respect of the balance of such application monies, if any (such balance being retained by Bridgend as compensation for breach of contract), or for any loss arising from the price, the timing or the manner of such sale or otherwise in connection therewith;
- (vi) agree that you are not applying on behalf of a person engaged in money laundering;
- (vii) undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney or other authority (or a complete copy certified by a solicitor or notary) is enclosed with your Retail Offer Application Form;
- (viii) agree that any future communication sent by Bridgend to you in your capacity as a Shareholder of Bridgend may be in the English language;
- (ix) agree that, subject to any balloting as set out in paragraph 6 below, the number of New Ordinary Shares allocated to you will be calculated as the sterling amount applied for divided by the Issue Price and rounded down to the nearest whole number of New Ordinary Shares;
- (x) agree that Peel Hunt, in consultation with Bridgend, reserves the right to alter any arrangements in connection with the Retail Offer (including the timetable, terms of application and these terms and conditions);
- (xi) agree that the contract arising from acceptance of applications under the Retail Offer will be, or will be deemed to be, entered into by you (if you are a successful applicant) and Bridgend on these terms and conditions of application for the Retail Offer subject to paragraph (x) above and any changes, additions or alterations made to any Retail Offer Application Form will have no effect;

- (xii) hereby notify Bridgend that your application shall be immediately withdrawn in whole if
    - (a) an e-mail has been despatched by or on behalf of Bridgend to the e-mail address supplied by you in the Retail Offer Application Form notifying you of material information in connection with the Retail Offer or otherwise, including, without limitation, that a supplementary prospectus has been published pursuant to Regulation 10 of the Public Offers of Securities Regulations 1995, as amended (a "Notification E-mail") and requesting you to return to the Issues Direct/Bridgend Site and confirm positively your intention to invest in accordance with the revised terms of the Offer; and (b) you do not return to the Issues Direct/Bridgend Site within the time limit specified in the Notification E-mail and confirm that your application has not been withdrawn;
  - (xiii) confirm that you understand and agree that withdrawal of your application on the basis set out in paragraph 2(c)(xii) will mean that no shares will be allocated to you or any person on whose behalf you are applying;
  - (xiv) agree that Notification E-mails may be despatched to you at the e-mail address supplied by you in the Retail Offer Application Form and that neither Bridgend nor any person acting on its behalf is under any obligation to establish whether any such e-mail has been received or accessed by you;
  - (xv) agree that Bridgend (and any person acting on its behalf) shall be entitled to rely upon any confirmation of your application in response to a Notification E-mail if that confirmation has been received with your unique investor code and password as having been made by you or with your knowledge, approval and authority (and that of any person on whose behalf you may have been acting in connection with your application) and that neither Bridgend nor its agents shall be obliged to make any enquiry as to whether such confirmation was so made; and
  - (xvi) agree that neither Bridgend nor those acting on its behalf shall be liable for any loss (whether direct, indirect, consequential or otherwise) arising from the use of e-mail in connection with the Retail Offer or otherwise as contemplated in this paragraph 2 (save to the extent that any loss arises from negligence, fraud or wilful default of Bridgend, its directors, officers and employees).
3. If your Retail Offer Application Form is not completed correctly or is amended or if the accompanying cheque, banker's draft or money order is for the wrong amount or currency or if your Retail Offer Application Form is not accompanied by a power of attorney or other authority where required, your Retail Offer Application Form may still be treated as valid. In these circumstances, Bridgend's decision as to whether to treat your application as valid and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to invest a higher amount than is indicated in your application.
  4. Bridgend reserves the right to reject, in whole or in part, or to conduct a ballot, or in the case of paragraph 4(iv) below, to cancel any contract of allocation or purchase of shares including, without limitation:
    - (i) multiple or suspected multiple applications;
    - (ii) any application for an amount which is not for one of £900, £1,485, £3,015 or £4,995;
    - (iii) any application which has not been received by the Receiving Agent by 12 noon on 1 August 2000 accompanied by a cheque, banker's draft or money order in sterling for the sum stated in the Retail Offer Application Form;

- (iv) any application in relation to which the cheque, banker's draft or, as the case may be, money order for the sum stated in the Retail Offer Application Form has not been cleared on first presentation and, in any event, by 2.00 p.m. on 10 August 2000;
- (v) any application where the accompanying Retail Offer Application Form is not properly completed in all respects in accordance with the instructions accompanying the Retail Offer Application Form, or as otherwise provided;
- (vi) any application where as a result of such application the provisions of paragraph 10 below are, or, but for the rejection of such application, would be, breached;
- (vii) any application made on a Retail Offer Application Form that has been, or is suspected of having been, altered in anyway or otherwise changed whether by way of any addition, deletion or otherwise; and
- (viii) any application in names that are, or are suspected to be, fictitious, or which are otherwise unsuitable for share registration purposes.

#### **Acceptance of an offer**

- 5. Peel Hunt may on behalf of Bridgend accept your offer to subscribe (if the Retail Offer Application Form is received by Capita IRG Plc by the due date, valid (or treated as valid), processed and not rejected) either:
  - (a) by notifying the London Stock Exchange of the basis of allocation (in which case the acceptance will be on that basis); or
  - (b) by notifying acceptance to the Receiving Agent.
- 6. Bridgend will endeavour to satisfy valid applications on Retail Offer Application Forms. However, if demand for New Ordinary Shares exceeds the number of New Ordinary Shares available in the Retail Offer, Peel Hunt, in consultation with Bridgend, will determine the basis of allocation of New Ordinary Shares including any balloting. In the event of any such balloting, allocation between individual applicants will be made by Peel Hunt by drawing applications randomly until the full value of the Retail Offer is subscribed. Accordingly, you may not receive the New Ordinary Shares you apply for if you are unsuccessful in a ballot. Applications will only be satisfied in full and there will be no scaling back of allocations.

#### **Conditions**

- 7. The contract arising from acceptance of applications under the Retail Offer will be entered into by you (if you are a successful applicant) and Bridgend under which you will be required to subscribe for the New Ordinary Shares (at the Issue Price in respect of which your application has been accepted) and is subject to the satisfaction of the following conditions on or before 15 August 2000 or such later date as Peel Hunt and Bridgend may agree (not being later than 15 September 2000) (a) Admission becoming effective in accordance with paragraph 16.6 of the AIM Rules; (b) the Placing Agreement becoming wholly effective and, thereafter, wholly unconditional and not being terminated before Admission; (c) the right of termination under paragraph 18 below not having been exercised prior to Admission; (d) the passing of the Resolutions to be proposed at the EGM; and (e) completion of the Acquisition Agreement in escrow.
- 8. You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right that you may have.

### **Return of application monies**

9. If any application is not accepted or if any contract created by acceptance does not become unconditional your cheque, banker's draft or money order or a cheque from the Receiving Agent for the relevant amount (without interest), will be returned to you by post at the risk of the applicant(s) not later than 24 August 2000. In the meantime, application monies will be retained by the Receiving Agent in an account designated for the purposes of the Retail Offer and any interest accrued on the application monies shall be retained by, and for the benefit of, Bridgend. The cheque and/or banker's draft and/or money order accompanying your application may be presented on receipt and before acceptance of your application, but this will not constitute acceptance of your application, either in whole or in part. The proceeds of this presentation will be held pending acceptance and, if any application is accepted and the conditions of paragraph 7 above are satisfied, will be applied in discharging the total amount due for the New Ordinary Shares you have been allocated. Share certificates may be retained pending clearance of the applicant's cheque and/or banker's draft and/or money order. The right is also reserved to reject any application in respect of which the applicant's cheque, banker's draft or, as the case may be, money order has not been cleared on first presentation and, in any event, by 2.00 p.m. on 10 August 2000. Bridgend may require an applicant to pay interest or other resulting costs (or both) if the cheque, banker's draft or money order accompanying his application is not honoured on first presentation. Sums refunded will be paid in sterling.

### **Warranties**

10. By completing and submitting a Retail Offer Application Form, you as the applicant and, if signing on behalf of another person or corporation, that person or corporation:
- (a) represent and warrant that, if the laws of any territory outside the UK are relevant to your application or in connection with your application, you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory, other than the UK, and that you have not taken any action or omitted to take any action which will or may result in Peel Hunt, Bridgend, the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements of any territory outside the UK in connection with the Retail Offer or Bridgend's acceptance of your application;
  - (b) represent and warrant that, if you sign a Retail Offer Application Form on behalf of somebody else or a corporation, you have the authority to do so and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary where required by the instructions contained in the guidance notes to completing the Retail Offer Application Form and otherwise comply with such instructions;
  - (c) confirm that, in making an application, neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to Bridgend or to any of Bridgend's subsidiaries or to the Enlarged Group other than such as may be contained in this document and agree that none of Peel Hunt, Bridgend, the Receiving Agent or any person acting on behalf of them or any person responsible solely or jointly for this document, or any part of it, shall have any liability for any such information or representation;
  - (d) agree that, having had the opportunity to obtain and read this document, you shall be deemed to have noted all information and representations concerning Bridgend or any of the Enlarged Group contained in this document;
  - (e) acknowledge that no person is authorised in connection with the Retail Offer to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been made by Peel Hunt, Bridgend or the Receiving Agent;

- (f) confirm that you have reviewed the restrictions contained in paragraph 12 below and in paragraph 9 of Part II of this document and represent and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of paragraph 12 below and of paragraph 9 of Part II;
- (g) represent and warrant that you are not a person who is under 18 years of age on the date of your application and you have authority to sign the Retail Offer Application Form;
- (h) agree that all documents in connection with the Retail Offer and any returned monies will be sent at your (and any person on whose behalf you are applying) risk and may be sent by post to you at your address (or, in the case of joint applicants in the Retail Offer, the address of the first-named applicant) set out in the Retail Offer Application Form;
- (i) represent and warrant that (i) you (or, if you are signing on behalf of another person, that other person) registered for the Retail Offer prior to 1 August 2000; (ii) only one application (whether in your sole name or jointly) has been made by you or on your behalf in the Retail Offer; and (iii) the Retail Offer Application Form signed by you has been downloaded and printed out or otherwise supplied to you directly by Bridgend without any changes, additions, deletions or alterations being made to it;
- (j) represent and warrant that, in the case of an application made by a hemscott.NET Employee, (i) you are not signing on behalf of another person; (ii) only one application (whether in your sole name or jointly) has been made by you or on your behalf in the Retail Offer; (iii) the Retail Offer Application Form signed by you has been downloaded and printed out or otherwise supplied to you directly by, or on behalf of, the Company without any changes, additions, deletions or alterations being made to it; and (iv) you have received and read this document;
- (k) represent and warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depositary receipts and clearance services);
- (l) represent and warrant that you are a resident of the UK and are not, and are not acting on behalf of, a US person (as such term is defined in Regulation S of the US Securities Act of 1933) or a person or other entity in the United States;
- (m) agree that any material downloaded in relation to the offering (i) is done at your own risk and discretion and that you will be solely responsible for any damage to your computer system or loss of data that results from the download of any such material and (ii) will be used solely for personal use and you will not distribute any such materials to any US Persons (as such term is defined in Regulation S of the US Securities Act of 1933) or in the United States;
- (n) agree and understand that Bridgend shall not be liable for any direct, indirect, incidental, special, consequential or exemplary damages, including but not limited to, damages for loss of profits, goodwill use, data or other intangible losses resulting from unauthorised access to or alternative use of your transmissions or data;
- (o) understand that the contact information supplied by you in the Retail Offer Application Form will be used by Bridgend to administer the Retail Offer and will also be passed to companies in the hemscott.NET Group, whether or not Admission takes place, who may use it to let you know about goods and services offered by members of the hemscott.NET Group which may be of interest, such as those relating to the hemscott.NET Site, and you consent to such uses;
- (p) agree that Notification E-mails in connection with the Retail Offer may be sent to you at your e-mail address set out in the Retail Offer Application Form; and
- (q) agree that any confirmation made in response to a Notification E-mail shall be deemed to have been made with your knowledge, approval and authority.

### **Money laundering**

11. The provisions relating to money laundering set out in Part II of this document will also apply to the Retail Offer.

### **Overseas investors**

12. It is the responsibility of any person outside the UK wishing to make an application in the Retail Offer to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, *including obtaining any requisite governmental or other consents or approvals*, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. No person receiving a copy of this document or a Retail Offer Application Form in any territory may treat the same as constituting an invitation or offer to him nor should he in any event use such Retail Offer Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Retail Offer Application Form could lawfully be used by him without contravention of any registration or other requirements. This document has not been submitted to the clearance procedures of any authorities. Any application made by or on behalf of a person outside the UK may be rejected. The provisions of paragraph 9 of Part II of this document shall be deemed to be incorporated into this paragraph.

### **Allocation to hemscott.NET Employees**

13. hemscott.NET Employees will be given preference when allocation of New Ordinary Shares are made under the Retail Offer. The New Board have the absolute discretion to decide in any individual case whether an individual qualifies as a hemscott.NET Employee. Applications by hemscott.NET Employees must be made on an Employee Application Form. hemscott.NET Employees may only make one application under the Retail Offer and may not apply jointly with others on an Employee Application Form.

### **Miscellaneous**

14. To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the New Ordinary Shares and the Retail Offer.
15. Save where the context requires otherwise, terms defined in this document bear the same meaning when used in the Retail Offer Application Form, these terms and conditions and in the guidance notes to completing the Retail Offer Application Form. In the case of a joint application in the Retail Offer, references in these terms and conditions to "you" or the "applicant" are to each joint applicant (and "you" shall be construed accordingly) and the liability of joint applicants is joint and several.
16. The rights and remedies of Bridgend, Peel Hunt and the Receiving Agent under these terms and conditions are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of any one will not prevent the exercise of others or full exercise.
17. Peel Hunt reserves the right to delay the closing time of the Retail Offer from 12 noon on 1 August 2000 by giving notice to the London Stock Exchange. In this event, the revised closing time will be published in such manner as Peel Hunt in its absolute discretion determines subject, and having regard, to the AIM Rules.
18. The Placing Agreement provides that the Retail Offer may be terminated in certain circumstances at any time prior to Admission. If the Retail Offer is so terminated, applications received up to the date of termination will automatically lapse, applications received after that date will be of no effect and any application monies relating thereto will be returned to you without interest.

19. You agree that all applications, acceptances of applications and contracts resulting from them under the Retail Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit Bridgend's right to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction.
20. You authorise Bridgend, on your behalf, to make any appropriate returns to the Inland Revenue in relation to stamp duty reserve tax (if any) on any contract arising on acceptance of your application and in relation to stamp duty (if any) payable on any transfer of New Ordinary Shares as a result of such contract.
21. You agree that Peel Hunt will not treat you as its customer by virtue of an application being accepted and that Peel Hunt will not be responsible to you for providing to you the protections afforded to its customers and that Peel Hunt does not owe you any duties or responsibilities concerning the price of the New Ordinary Shares or concerning the suitability of the New Ordinary Shares for you as an investment or (save as expressly set out in these terms and conditions) otherwise in connection with the Retail Offer.
22. You irrevocably authorise the Receiving Agent and its agents to do all things necessary to effect registration into your name(s) (or any of the persons specified in paragraph 2(b) above) of any New Ordinary Shares acquired by you and authorise any representative of the Receiving Agent to execute and/or complete any document of title required therefor.
23. The dates and times referred to in these terms and conditions, this document and/or the Retail Offer Application Form may be altered by Bridgend and Peel Hunt to be consistent with the Placing Agreement (as the same may be altered in accordance with its terms).
24. References in these terms and conditions of application for the Retail Offer to "you" and the "applicant" are, where the content requires, to the person on whose behalf the relevant application is being made and the person making that application.
25. All documents sent by post are sent at the risk of the person entitled thereto.

## PART X

### DEFINITIONS AND GLOSSARY

#### Definitions

The following expressions have the following meanings throughout this document and the accompanying Application Form(s) unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of hemscott.NET pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 12 July 2000 entered into between CRBF and others (1) and the Company (2), further details of which are set out in paragraph 8.1.6 Part VIII of this document
“Act”	the Companies Act 1985 (as amended)
“Additional Open Offer Shares”	New Ordinary Shares either subject to the Open Offer and not subscribed by the Qualifying Shareholders originally entitled under the Open Offer or subject to the Retail Offer and not subscribed for under the Retail Offer, for which the Qualifying Shareholders entitled to subscribe over and above their maximum guaranteed entitlement under the Open Offer are entitled to subscribe as described in Part II
“Admission”	admission to dealing of the New Ordinary Shares and Consideration Shares and the Existing Ordinary Shares to AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of AIM set out in Chapter 16 of the Rules of the London Stock Exchange
“Application Form(s)”	the Open Offer Application Form and/or the Retail Offer Application Form (as the context may require)
“Board”	the board of Directors of the Company from time to time
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form
“City Code”	The City Code on Takeovers and Mergers
“Combined Code”	the principles of good governance and code of best practice appended to the Listing Rules
“Company” or “Bridgend”	Bridgend Group PLC
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Consideration Shares”	666,666,667 new Ordinary Shares to be allotted and issued, credited as fully paid pursuant to the Acquisition Agreement
“CRBF”	Co-operation Retirement Benefit Fund (L) Limited
“CRBF Concert Party”	the concert party for the purposes of the Code, comprising Kanawa, CRBF, C.D.O. Jillings and the trustees of the Cardinal Trust Limited



“CREST”	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo Limited
“Directors”	the directors of the Company listed in paragraph 2.1 of Part VIII of this document
“Enlarged Group”	the Group as enlarged by the Acquisition
“Enlarged Share Capital”	the entire issued ordinary share capital of the Company following the issue of the Consideration Shares and the New Ordinary Shares
“EU”	the European Union
“Existing Ordinary Shares”	the 140,154,322 Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company being convened for 10.00 a.m. on 10 August 2000, notice of which is set out at the end of this document, and any adjournment thereof
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the EGM
“Group” or “Bridgend Group”	the Company and its existing subsidiary undertakings
“hemscott.NET”	hemscott.NET Group plc (registered no. 3945506)
“hemscott.NET Employees”	employees of the hemscott.NET Group resident in the United Kingdom who (i) had not given notice to terminate their employment on or prior to 12 July 2000 and (ii) are not casual employees, temporary employees or short term employees (i.e. employees on a fixed term contract of less than one year’s duration). The New Board shall have absolute discretion to decide in any individual case whether an individual qualifies as a hemscott.NET Employee
“hemscott.NET Group”	hemscott.NET and its consolidated subsidiaries and subsidiary undertakings from time to time as if throughout the period described the reorganisation detailed in paragraph 8.3 of Part VIII had already taken place
“hemscott.NET Shareholders”	Messrs. Scott, Horack, Wheatley and Jillings, CRBF, Nazca Limited Partnership, Ms. Meiring and the trustees of the Cardinal Trust Limited
“hemscott.NET Site”	the web site operated by hemscott.NET as described in Part III “Information on hemscott.NET” and including hemscott.NET, hemscott.com, hemscott.co.uk and hemscottlegal.com
“HSL”	Hemmington Scott Limited, now called HS Financial Publishing Limited, and the company previously carrying on the hemscott.NET business and no longer part of the hemscott.NET Group
“Independent Directors”	the Directors other than Charles Jillings
“Independent Shareholders”	the Shareholders other than Kanawa and its associates
“Issues Direct”	Issues Direct plc
“Issues Direct/Bridgend Site”	the web site administered by Issues Direct on behalf of Bridgend upon which this document and the Retail Offer Application Form will be made available and which can be found at <a href="http://www.issuesdirect/bridgend">www.issuesdirect/bridgend</a>

“Issue Price”	the price at which each Ordinary Share is to be issued under the Open Offer and the Retail Offer, being 2.25p per share
“Kanawa”	Kanawa Limited, a company registered in the Isle of Man, which is a holder of 37.2 per cent. of the Existing Ordinary Shares
“Listing Rules”	the Listing Rules of the Financial Services Authority in its capacity as UK Listing Authority
“London Stock Exchange”	The London Stock Exchange Limited
“New Board”	the Proposed Directors, Christopher Stainforth and Charles Jillings
“New Ordinary Shares”	800,000,000 new Ordinary Shares to be allotted and issued pursuant to the Placing, the Open Offer and the Retail Offer respectively
“Offer”	the Placing, the Open Offer and the Retail Offer
“Official List”	the official list of the Financial Services Authority in its capacity as the UK Listing Authority
“Open Offer”	the conditional offer being made by Peel Hunt, as agent on behalf of the Company, to Qualifying Shareholders to apply for the Open Offer Shares (and, additionally, any New Ordinary Shares subject to the Retail Offer and not subscribed under the Retail Offer) on the terms and subject to the condition set out in this document and the Application Form
“Open Offer Application Form”	the application form relating to the Open Offer being sent to Qualifying Shareholders with this document
“Open Offer Shares”	the 140,154,322 New Ordinary Shares to be allotted and issued pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Overseas Investors”	investors or potential investors whose registered address is an address not in the UK
“Overseas Shareholders”	Bridgend Shareholders whose registered address is an address not in the UK
“Peel Hunt”	Peel Hunt plc
“Placing”	the conditional placing of 800,000,000 New Ordinary Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 12 July 2000 between the Company, hemscott.NET, the Directors, the Proposed Directors and Peel Hunt relating to the Placing and the Open Offer and the Retail Offer, the principal terms of which are summarised in paragraph 8.1.5 of Part VIII of this document
“Proposals”	the proposals set out in this document including the Placing, the Open Offer, the Retail Offer and the Acquisition
“Proposed Directors”	Michael Grade, Rosalyn Wilton, Kevin O’Byrne and Winston Fletcher, each of whom will be appointed to the board of the Company on Completion

“Proposed Director Options”	the options over 3,407,027 and 141,526,297 Ordinary Shares respectively to be granted to Michael Grade and Rosalyn Wilton on the release of options currently held over shares in hemscoff.NET and over 1,703,513 Ordinary Shares to be granted to Winston Fletcher
“Qualifying Shareholders”	all Shareholders on the register of members of the Company on the Record Date other than certain Overseas Shareholders as determined by the Company and Peel Hunt
“Receiving Agent” or “Registrar”	Capita IRG Plc
“Record Date”	the close of business on 5 July 2000
“Regulations”	the Uncertificated Securities Regulations 1995
“Remuneration Committee”	the remuneration committee of the Board
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Retail Offer”	the conditional retail offer of 126,512,345 New Ordinary Shares (and, additionally, any New Ordinary Shares subject to the Open Offer and not subscribed under the Open Offer) as set out in Parts II and IX of this document
“Retail Offer Application Form”	the application forms to be used by applicants pursuant to the terms of the Retail Offer and which includes, where relevant, Employee Application Forms
“Shareholder” or “Shareholders”	holder(s) of Ordinary Shares, as the context requires
“Share Option Schemes”	the approved Bridgend Executive Share Option Scheme 1985 and the Bridgend Group PLC 1999 Executive Share Option Scheme
“Takeover Panel”	the Panel on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the UK Listing Authority, a division of the Financial Services Authority
“uncertificated” or in “uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, and any state of the United States and the District of Columbia
“US Person”	is as defined under Regulation S of the US Securities Act of 1933

## Glossary

The following expressions have the following meanings in this document unless the context otherwise required:

“AFX”	AFX News Limited
“connectivity”	the property of a network which allows dissimilar devices to communicate with each other
“e-commerce” or “E-Commerce”	“electronic commerce” the electronic conclusion of contracts
“html”	hypertext mark-up language providing a means of navigating around a document or from document to document by clicking on highlighted hyperlinks (text or images)
“internet”	means an international network linking computers over telephone lines
“ISP”	internet service provider, a company that provides individuals and other companies access to the internet and other related services such as web site building and hosting
“page views” or “page impressions”	a file or combination of files sent to a user as a result of that user’s request being received by the server
“portal”	a web site that organises a wide range of information or content available on the internet and serves as a central resource for internet users
“RNS”	Regulatory News Service
“unique users”	an internet protocol, or IP, address plus an heuristic, although IP addresses that have been dynamically allocated, i.e. from ISPs, may overstate or understate the real number of users concerned
“users”	any persons who have accessed the Company’s internet service and have successfully completed the registration and authentication process to become a user of the Company’s internet service
“UUNET”	a provider of internet services as well as voice and data networks
“WAP”	wireless application technology which makes it possible to access the internet via mobile communication platforms, such as mobile phones

# **Bridgend Group PLC**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW on 10 August 2000, at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and will be taken on a poll, resolution 2 will be proposed as an ordinary resolution and resolutions 3 and 4 will be proposed as special resolutions:

### **ORDINARY RESOLUTION**

1. THAT the acquisition agreement dated 12 July 2000 made between Co-operation Retirement Benefit Fund (L) Limited and others (the "hemscott.NET Shareholders") (1) and the Company (2) (the "Acquisition Agreement") pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of hemscott.NET Group plc to be satisfied as to the consideration of £15,000,000.01 by the issue by the Company of 666,666,667 ordinary shares of 1p each in the capital of the Company (to be created pursuant to resolution 3 below ("Ordinary Shares")) representing 41.5 per cent. of the enlarged issued share capital of the Company immediately following Admission (as defined in the circular to shareholders of the Company dated 12 July 2000) and the waiver by the Panel on Takeovers and Mergers of any obligation under Rule 9 of the City Code on Takeovers and Mergers which might otherwise arise on the hemscott.NET Shareholders and/or the CRBF Concert Party (as defined in the circular to the shareholders of the Company dated 12 July 2000), either collectively or individually, be and are hereby approved and the Directors be and they are hereby authorised to do all acts and things which they may consider necessary or desirable to carry the same into effect save that the Directors shall only be empowered to make minor amendments to the agreement without the prior approval of the shareholders of the Company.
2. THAT the amendments proposed to The Bridgend Group PLC 1999 Executive Share Option Scheme ("the Scheme") (which was adopted by the Company on 28 July 1999), which are shown on the copy of the Scheme submitted to the Meeting and signed by the Chairman for the purpose of identification, be and they are hereby approved, and the Directors be and they are hereby authorised:
  - (i) to amend the Scheme accordingly;
  - (ii) in their absolute discretion, to waive, modify or replace such of the amendments to the Scheme or introduce such new amendments as may be necessary for the approved part of the Scheme to obtain or maintain the approval of the Board of Inland Revenue under Schedule 9, Income and Corporation Taxes Act 1988;
  - (iii) to do all acts and things necessary to carry the amendments to the Scheme into effect; and
  - (iv) to vote as directors on any matter connected with the Scheme notwithstanding that they may be interested in the same except that no Director shall vote on any resolution concerning his own participation in the Scheme or be counted in the quorum required for the consideration of any such resolution.

### **SPECIAL RESOLUTION**

3. THAT, subject to and conditional upon the passing of Resolution 1 set out above:
  - (a) the Company's authorised share capital be increased from £5,571,500 to £28,870,205 by the creation of 2,329,870,500 new ordinary shares of 1p each in the capital of the Company;

- (b) the Directors are hereby generally and unconditionally authorised and in substitution for any existing authority for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal value of £21,502,438 in connection with, *inter alia*, the Placing, the Open Offer and the Retail Offer (each as defined in the circular to shareholders of the Company dated 12 July 2000) and otherwise to such persons and at such times as they think proper during the period expiring on 31 May 2005; and
- (c) the Directors be and are hereby authorised pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) pursuant to the authority conferred by paragraph (b) above as if section 89(l) of the Act did not apply to such allotment provided that this power shall be limited to:
  - (i) the allotment of 800,000,000 ordinary shares of 1p each in the capital of the Company in connection with the Placing, the Open Offer and the Retail Offer (each as defined in the circular to shareholders of the Company dated 12 July 2000);
  - (ii) the grant to Michael Grade, Winston Fletcher and Rosalyn Wilton of the Proposed Directors Options (as defined in the circular to shareholders of the Company dated 12 July 2000) and the allotment of ordinary shares pursuant to the exercise of such options;
  - (iii) the allotment of equity securities in connection with a rights issue or other pre-emptive issue to the holders of ordinary shares made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to such exclusions or arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements otherwise arising or legal or practical problems under the laws or requirements of any recognised regulatory authority in any territory; and
  - (iv) the allotment (otherwise than mentioned in sub-paragraphs (i), (ii) and (iii) of this resolution) of equity securities for cash up to an aggregate nominal value of £803,410

and shall expire on 31 May 2005 provided that the Company may make an offer or agreement (including the options referred to in paragraph (ii) above) which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby had not expired.
- 4. THAT subject to and conditional upon the passing of Resolution 1 above, the name of the Company be changed, conditional upon Completion (as defined in the circular to shareholders of the Company dated 12 July 2000), to hemscott.NET Group plc.

*Registered Office:*  
68 Great Eastern Street  
London EC2A 3JT

By order of the Board  
F C Flood  
Secretary

Dated: 12 July 2000

*Notes*

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote in his place. A Form of Proxy is enclosed for this purpose.
2. To be valid, the Form of Proxy duly signed, together with the power of attorney or other written authority (if any) under which it is signed (or an office or a notarially certified copy of such power or authority or a copy certified in accordance with the Powers of Attorney Act 1971), must be lodged at the office of the Company's registrars, Capita IRG Plc, 34 Beckenham Road, Beckenham, Kent BR3 4TH not later than 10.00 a.m. on 8 August 2000. Completion of a Form of Proxy will not preclude a member from attending and voting at the meeting if he wishes so to do.
3. In accordance with Regulation 34 of the Uncertificated Securities Regulations 1995, only those members entered on the register of members of the Company as at 6.00 p.m. on 8 August 2000 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.